

## NEWS SUMMARY

## BUSINESS

ptors' Ford  
nse warning  
ries on import  
renka demands

Employers of the kid  
tch industrialist Dr. industrialists' complaints against  
sma. said there had been unfairly priced imports is  
anom request from  
The company was concerned about the  
fact with them, since

at Fitzgerald, the Irish minister, said on return to the U.S. that if the kid  
gave in to the kid  
the effect would be  
for investment in

the hunt for the kid  
tch from Limerick  
action to help solve New York  
City's financial problems. But  
it is not known whether his  
views reflect a changed attitude

in operating from  
Republic, exchanged  
troops at an Army  
outside Forkhill, Co.  
customs post on the kid  
Donegal border was  
by a terrorist bomb.

**move by  
guese**  
military leaders, con  
it they cannot rely on  
armed forces to  
law and order, are to  
ardened ex-Servicemen  
new military interven  
largely staffed by  
commandos. The  
have condemned the  
of the Communists  
sixth Provisional  
ut. Page 4

**house plans  
hons visit**  
Stonehouse plans to  
the Commons to-day  
probably in December, will be  
held at a preparatory meeting  
starting in Paris, to despite  
Britain's insistence on individual  
representation. Back Page

**CLEARNS makes its first move  
into the EEC by buying a 50 per  
cent state in French shoe retail  
chain France Arno. Page 7**

**to debate  
non-crisis**  
lab. League. States, are  
an emergency meeting  
Wednesday to discuss  
non-crisis. President  
trying to patch up the  
over Syria's continued  
to the Sinai settlement.

**Jobs survey  
for steel areas**  
BSC has commissioned bus  
ness consultants to examine pros  
pects for attracting new industries  
where steel production will stop. McKinsey and  
Company will investigate the  
potential of Cambuslang and  
Motherwell in Lanarkshire, while  
Peter Ward Associates (Inter  
plan) will carry out work in  
Cardiff, Ebbw Vale, Shotton and  
Hartlepool. Back Page

**ELECTRICITY COUNCIL is  
expected to tell unions this week  
that because of a fall in demand  
several power stations will be  
closed in the next few years  
with the loss of thousands of  
jobs. Page 8**

**it gains**  
in Turkey's polls,  
in a tenth of the 600 seats  
in a bicameral Parliament  
it stake, showed a swing  
Premier Demirel's Right  
coalition towards Mr.  
Ecevit's Social Dem  
party. In Ankara, an ex  
shattered windows at the  
an Officers' Club. Page 4

**ke halts trains**  
services in the Eastern  
were disrupted, and  
out of London's Fenchurch  
were virtually halted after  
train drivers staged an  
strike over proposed  
a Sunday service. Page 8

**Money supply  
warning**  
Stockbrokers Phillips and  
Sons argue that a £2.5bn. public  
spending cut is required to avoid  
a sharp money supply increase  
which will threaten the Government's  
inflation policies. Page 5

**land attacked**  
in Leyland's decision to  
the "British" from  
products was condemned  
Michael Brotherton, Tory  
for Lough.

**at hits whale**  
er 11, about 100 miles behind  
Britain. It is in the FT  
ser race, reported that the  
a whale on Friday. The boat  
damaged, but the whale  
slightly hurt.

**George Wallace** who  
ran for the U.S. Presidency  
starts his European  
by meeting the Prime Minister  
in London to-day. Men  
Matters. Page 14

## Ministers prepare for battle to beat deadline on Bills

BY JOHN BOURNE, LOBBY EDITOR

The Government to-day begins facing one of its most difficult Parliamentary periods for a long time, trying to get through both the Commons and particularly the Lords a number of highly controversial Bills before the 1974-75 session ends sometime next month.

Anticipating trouble, the shuttling the Bill backwards and forwards between each other. This would consume valuable Parliamentary time.

A month's spill-over is regarded by the Government as the maximum for these Bills and other important ones to be passed—including the Employment Protection and the Petroleum and Submarine Pipelines legislation.

This is because any extension of time would delay the beginning of the next Parliamentary session, for which the Government is already planning a heavy programme of new legislation.

"By then, we should know through the Conservatives' attitude in the Commons towards the Community Land Bill and towards Lord Goodman's amendments on the Press freedom aspects of the Trade Union and Labour Relations Bill, whether the Tory Peers may fight the decisions of the Commons on these two sensitive Bills."

For example, if the Commons rejects Lord Goodman's amendments in its debate on them on Wednesday, and instead accepts Mr. Michael Foot's expected alternative— a voluntary code of practice agreed between the newspapers and the National Union of Journalists—will the Lords insist on reinserting the Goodman amendments?

In that event, nerve-wracking skirmishing with the danger of a constitutional confrontation, is expected to be opposed—could develop, with both Houses certainly by Conservative MPs

Continued on Back Page

### Solution

On the Trade Union and Labour Relations Bill Mr. Foot, Employment Secretary, will propose that the Commons should reject the Goodman amendments which essentially give legislative safeguards for the rights of editors and their deputies in a closed shop imposed by the N.U.J.

The Minister will then propose the so-far unsuccessful solution devised by Lord Houghton, former chairman of the Parliamentary Labour Party and now a Labour Peer, should the Conservatives think there could well be an all-night session on these amendments to

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## OVERSEAS NEWS

## Beirut tries another reconciliation

By IHSAN HIZAJI

Premier Bashir Karami has called on all Lebanese to turn a new page and co-operate closely not only in restoring law and order but also in "building the Lebanon of the future".

The Premier spoke after signs of relaxation in the general situation in the country, and after most of the barricades were yesterday removed from Chiyah and Ain al Rummeh, the confrontation suburbs of Beirut.

Lebanese newspapers to-day splashed on their front pages photographs of masked mem-

bers of the Christian Phalangist party from Ain al Rummeh hugging and kissing Moslem armed men from Chiyah. The two neighbourhoods exchanged delegations but the rejoicing was marred by the killing of a local Phalangist militiaman by a sniper bullet.

The Government is making an all-out effort to inspire confidence.

The business centre of this once booming city is now a mass of rubble and charred buildings and stores destroyed during the fierce fighting

between the warring factions.

Another attempt to remove the debris was being made to-day despite the weekend holiday. The government was thinking of compensation to the business institutions affected.

Beirut was calm despite sporadic shooting incidents.

It is some of the outskirts. A new ceasefire in the northern port of Tripoli seemed to be holding except for an exchange of fire in the confrontation suburb of Al Koba in which two men were killed.

In a move to re-emphasise that regardless of what has happened Beirut will remain a neutral, peaceful city, the Bank of Lebanon, the government's central bank, issued a statement to-day categorically denying that it intended to impose currency restrictions. The statement said that there will

BEIRUT, Oct. 12

be no interference with the freedom of foreign exchange dealings.

The statement was taken as setting the stage for reopening of banks and resumption of transactions this week if the current trend in ending the strife keeps up.

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## Assad 'talked arms' during Moscow trip

By Louis Fares

DAMASCUS, Oct. 12. PRESIDENT Assad's surprise 24-hour visit to Moscow last week for talks with Soviet leaders was chiefly concerned with the consequences of the Sinai agreement between Israel and Egypt according to informed sources in the Syrian capital.

President Assad has been deeply concerned at the huge supply of arms the U.S. has promised Israel as a result of the agreement and, western diplomatic sources believe, he raised the question of Soviet armaments to Syria with the Kremlin. In addition the sources say, President Assad has been seeking Soviet support for Syria's political counter-offensive against the agreement.

Syria has been bitterly opposed to the Sinai agreement, and President Assad has, in a recent speech, made a second-stage agreement in the Golan Heights dependent on simultaneous negotiations with the Palestine Liberation Organisation (PLO).

Meanwhile, Syria seems to be largely ignoring moves by Egypt aiming at changing the Syrian stance. A Syrian official said that both the Defence Minister, Major General Mustapha Tlass, and Foreign Minister, Abdul-Halim Khaddam, remained in the Soviet capital. The official said that Syria now considers its front with Israel as being "the only active front. This fact, which came up in the aftermath of the Sinai agreement, means that the balance of forces in the Middle East has to be maintained between Israel and only Syria."

## Sadat tries to patch up his disagreement with Syria

By MICHAEL TINGAY

PRESIDENT SADAT is making efforts to break out of Egypt's relative isolation in the Arab world, following the Sinai agreement, using the confederal parliament of Syria, Libya and Egypt to try to patch up the quarrel with Syria.

Syria's continued opposition to the Sinai settlement with Israel has deeply troubled the Egyptian leadership. Egyptian students in Damascus are likely to be ordered home unless relations improve and Egypt must certainly have been disturbed by the enthusiasm of anti-Egyptian feeling expressed in Syria's October 6 anniversary demon-

strations. The loose-linked Confederal Parliament, with 20 members each from Syria, Libya and Egypt which sat last week at Mr. Sadat's suggestion, decided yesterday to set up a special committee to find ways to patch up Cairo's quarrel with Damascus.

The four man committee comprising Libya's Bushir el Rabib and Hazim el Zabouni, Egypt's Ahmed Abu Nasr, and Syria's Ahmed Khadour will report their recommendations after three weeks. Meanwhile the deputy speaker of the confederal parliament, Muhammed Shahin returned here over the weekend with assurances which came up in the aftermath of the Sinai agreement. Last week Mr. Sadat exchanged greetings with Colonel Khedaf after two years of bitter quarrelling and there is talk of a meeting between the two leaders

Reconciliation was made easier after the attempted anti-Khedaf coup in August because Khuwailidi al Hamidi, Libyan Interior Minister, made a Libyan climb-down of anti-Sadat activity a precondition of his continued loyalty to Khedaf, according to well informed sources here.

Mr. Sadat has been resisting pressure by other Arab States to meet with Syria to discuss a new peace agreement with Syria. The news

reconciliation with Syria is to be effected before the end of the year when Mr. Sadat will once again be forced to turn to his Arab oil rich neighbours for fresh injections of capital.

If Arab opposition to the Sinai agreement is still rampant in December, Saudi Arabia and especially Kuwait will be under pressure from the Syrian and Palestinian lobby to use the financial lever to modify Egypt's political direction.

AGENCIES add from Tel Aviv

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## Rockefeller calls for Congress to aid N. York

By GUY DE JONQUIERES

NEW YORK, Oct. 12

VICE-PRESIDENT Nelson Rockefeller has pleased but puzzled New York City leaders by calling for swift federal action to help the city solve its financial problems.

In a speech yesterday evening, Mr. Rockefeller said that it was "crucial" that the Congress enact assistance for the city as soon as New York has completed work on a new plan to eliminate its chronic budget deficit by 1978.

The Vice-President did not propose any specific Congressional legislation. But he said that steps must be taken to ensure that the city's finances are shored up while it struggles to regain budgetary control.

The Vice-President's remarks have raised fresh hopes here that the Ford administration may now have softened its obdurate refusal to sponsor any federal aid to the city.

But the speech has also given rise to some mystification. It is not known whether it reflects a genuine shift of attitude by the White House, or whether Mr. Rockefeller has chosen to adopt a maverick role, breaking with the position held by the rest of the administration.

Only four days ago Mr. Ford reiterated his opposition to a People's conference that if the city could put its own fiscal affairs in order, he saw no need for the federal government to become involved.

At the same time, however, the President stopped short of threatening to veto any legislation approved by the Congress where proposals to aid New York appear to be gaining wider support.

One possible explanation of the Vice-President's move is that he is seeking to deflect some of the blame that would fall on him as a former governor of New York State, if the city defaulted on its obligations.

## U.S.-Russian oil deal 'in trouble'

By Adrian Dicks

WASHINGTON, Oct. 12.

THE FORD administration's efforts to reach agreement with the Soviet Union for long-term oil purchases, at the same time as the two countries are close to concluding a pact on grain, appears to have run into resistance from the Soviet side.

According to the New York Times this morning, Moscow has refused to countenance American proposals to buy Soviet oil at a price significantly lower than that set by the Organisation of Petroleum Exporting Countries (OPEC). The Russians are reported to feel that agreement to give the U.S. a discount would appear to put them in a position of weakness, as well as undercutting their efforts to rebuild support in the Arab world.

The administration, however, has been hoping that it might be able to achieve several important goals by linking an agreement on grain to one on oil. It would, most importantly, have been able to answer domestic critics of detente by simultaneously protecting consumers from the wild grain price fluctuations associated with Soviet purchases, and also adding to oil supplies from a non-OPEC source.

It is also no secret that Dr. Henry Kissinger, the Secretary of State, has been hoping that by getting the Russians to sell oil below the OPEC price, the U.S. might have been able to claim an important psychological victory against the cartel at a time when it is believed here to be under great internal strain.

• Soviet Minister of Agriculture, Dmitry Polyawsky, has publicly acknowledged that the Soviet Union's drought-bitten grain harvest will be below target this year, Reuter reports. He told a farmers rally that "unusual weather conditions" had inevitably been reflected in agricultural production.

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Unofficial predictions based on early returns boosted Mr. Kissinger's share of the Senate because two few seats are at seats up for renewal from eight state.

But with only about 15 per cent of the 30,000 ballot boxes counted, it was too early to say whether this trend would continue.

The final results are unlikely to affect the power balance in the Senate, which has 100 elected seats, partly renewed in elections every five years, and six vacant seats from the 430-member

National Assembly.

The most noticeable victims of the poll appeared to be small Right-wing parties, who lost heavily as the vote split almost equally between Turkey's two political giants—Mr. Demirel and Mr. Ecevit.

There was political fighting during the week-end in which Mr. Demirel appeared to have lost a man was killed. Police

tried to stop supporters of Mr. Demirel from marching on Ankara city centre last night.

The Financial Times, published daily except

Wednesday, \$1.95 for delivery, \$1.95 for postage, \$1.95 for second class postage paid at New York, N.Y.

## Soviet Union retracts its Berlin summit demand

By LESLIE COLITZ

THE SOVIET Union has been offered by Herr Hermann Axen, head of the East German delegation, a month's delay in holding a conference of the European Communist Parties in East Berlin.

East European and Western Communist parties say a new draft for a final conference document was presented at a two-day meeting in East Berlin of 27 Communist Parties that ended on Friday.

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## HOME NEWS

# New bid to-day to liquidate NVT Wolverhampton plant

TER CARTWRIGHT, MIDLANDS CORRESPONDENT

Villiers Triumph, the ed motor cycle manufacturer entered a crucial stage in its history. The British motor industry has already put its Wolverhampton operation making armaments and industries into the hands of the Receiver and will seek to complete the process. The provisional has been unable to do more than guard the succession will be get assembly lines back in London next Monday. It is believed sufficient stocks to production of Comer's 1,000 former The petition threatens NVT's other motor cycle factory at Small Heath, Birmingham, making Triumph Tridents. Progressive redundancies have already drawn the labour force down by some 500 to about 1,000 and are expected to continue into December. If the petition is States.

NVT's cooperation would be successful, it would almost certainly mean closing Small Heath. This, in turn, would react on the Government to help finance a new Meriden Motor Cycle Company, the Wolf, which has a new engine of radically new conception designed by two former NVT tried to close as part of its Government-backed plan to re-establish a healthy motor cycle industry.

Next week, the action committee will also be presenting plans for the future of the plant to Mr. John Gilbert, Transport Minister, and local MPs. These plans could be extremely relevant if NVT succumbs to a winding-up petition over an unpaid bill of about £27,000 for packing cases. This is to be heard in London next Monday.

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## Industrialist urges better deal for wealth earners

CHOLAS LESLIE

REPRESENTATION in Bamford's new premises at 1 for "the people who care" near Paris, supersedes wealth for Britain. Its Gonesse headquarters, cover nearly 10,000 square feet and called for by Mr. Bamford, chairman of carriageworks, for £500,000 of spare parts. Bamford Excavators, the They form the base for servicing and moving equipment the French market and of which he is the Algeria and Morocco.

A French subsidiary, JCB made his appeal. France SA, was set up in 1972 opening of JCB's new after sales, had fallen in the premises in France, a three previous years under an which was attended agents system. As a result sales Michael Heseltine, of its Three C excavator loader spokesman for Trade between 1971 and 1975 have risen, honestly feel that in from £300,000 to a forecast £90,000. They appreciate what a year. From being fourth or fifth in the excavator loader

market three years ago the company now claims first place.

Until now, JCB has been selling only its Three C range of machines—the cornerstone of the group's growth into a £40m. sales a year company—but the opening of the new premises marked the introduction of the company's

wide range of equipment to the French market comprising crawler excavators, crawler loaders and articulated wheel loading shovels. With the crawler excavator, JCB moves into direct competition with the major French earth-moving equipment company, Poclain.

## Juliers plea for higher charges

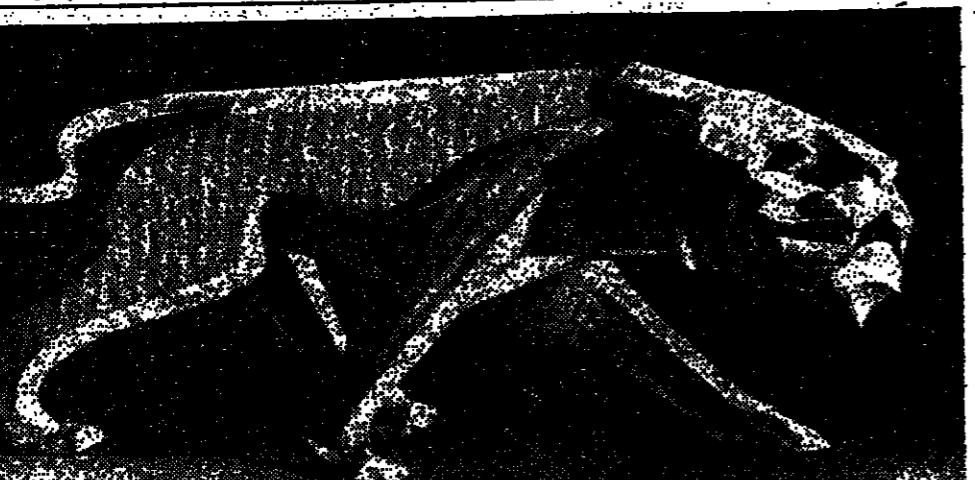
FINANCIAL TIMES REPORTER

AT that road hauliers over 50 per cent and wages in many instances had increased by more than 100 per cent. The carrier needed the right price for his service now or he would be driven into financial difficulty, possibly resulting in bankruptcy. Mr. Silberman said so at its peril, according to Mr. Silberman, who was at Hull to the annual conference of the Institute of Mr. Silberman, who is also managing director of the Brent Group of Harrow, was for customers who ran their own vehicles and new vehicle prices had risen by about 100 per cent to take a hard look at the so-called "frightful inflation" economic justification for so a price was up by well doing.

## Juliers plea for higher charges

RAY DAFTER

POST OFFICE is standing a 5p card rate. These might be able to find any way of providing a concessionary rate posted within a specified period ending at least two weeks before Christmas Day, he suggested. A growing pressure for a rate. National Consumer Protection Council yesterday urged the Post Office to put the Post Office in a goodwill gesture of this kind to boycott the Post Office. But a Post Office spokesman said the suggestion had been examined and discounted. The Labour M.P. for the constituency, Mr. Gwyneth, told the Post Office to revenue obtained from handling more cards at a cheaper rate would be more than offset by the cost of additional accommodation, transport and staff. Father Christmas, not Robert, has written to the chairman, Sir William, urging him to announce: "Regrettably, we have not services."



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## The Reliant Kitten makes its debut

BY TERRY DODSWORTH



A NEW competitor in the ranks of small, economical family saloons emerges today from Reliant, the Tamworth manufacturer of the three-wheel Robin and the Scimitar sports saloon.

The new car—four-wheeler called the Kitten—derives its basic design from the Robin, along with its light alloy engines, which is upgraded to a capacity of 950cc—the first British car of less than 1,000cc.

The body shell, as in the other Reliant models, is in glass fibre, a lighter form of construction than sheet metal, and one which Reliant claims will give the car greater economy. Top speed is 80 mph. The Kitten will go on sale in November after being unveiled at the Earls Court Motor Show on Wednesday. The saloon version is priced at £1,499, and the estate at £1,574.

## R-R renames engines group

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE (1971) is changing the name of its Small Engine Division at Leafield, Hertfordshire, to the Helicopter Engine Group, with management vested in the company's Derby Engine Division.

Dr. David Mitchell, the managing director of the Small Engine Division, is joining the Board of the Derby Engine Division.

One of the main reasons for the change, which will have no effect on employment at Leafield, is that the Small Engine Division is now embarking upon quantity production of the Gem helicopter engine, primarily for the Westland Lynx helicopter, to meet orders worth more than £80m.

## Public spending cut of £2.8bn. "needed to beat inflation"

BY MICHAEL BLANDEN

A CUT of at least £2.8bn. in be unable to finance without necessary public spending is required now, calling heavily on short-term bank funds and swelling the money supply.

It therefore argues that the present level of the public sector deficit will pose a real threat to the control of inflation.

Concern over the prospect of a renewed burst of expansion in the money supply has already been reflected in the Bank of England's recent policy, particularly in the move to lift its own minimum lending rate from 11 to 12 per cent.

This was undertaken partly to help support the pound but also partly in anticipation of an increased money supply.

With private sector demand for bank borrowing, particularly from industry, very depressed this year, the Bank has so far been able to hold the growth of money supply to levels comfortably below the previous year-on-year rate of price inflation.

The banking system is highly liquid at present and the Government has been able to tap this source to help finance its own deficit through recent large issues of Treasury bills.

## Fear of deterioration in this week's foreign trade figures

BY MICHAEL BLANDEN

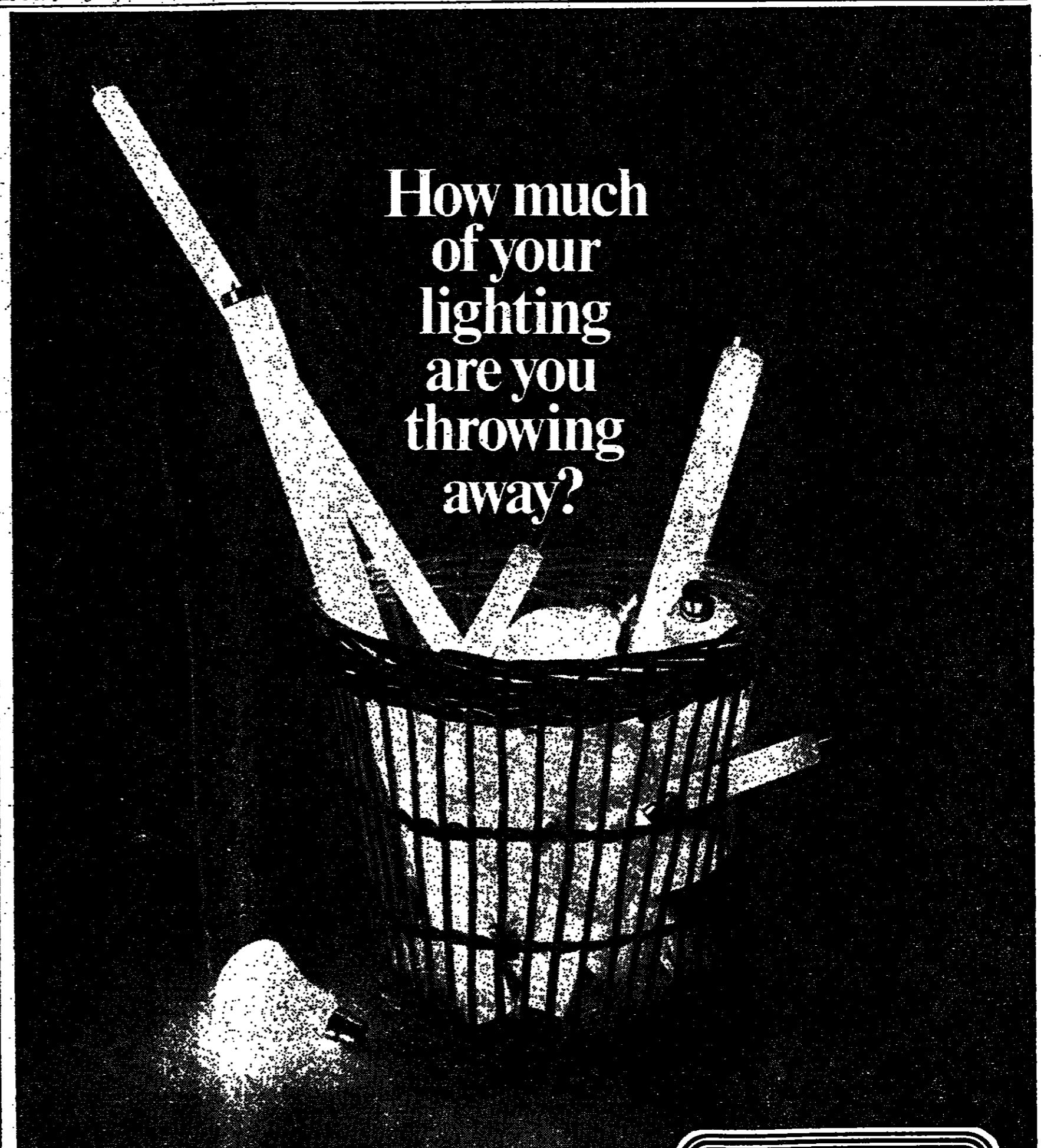
BRITAIN'S EXTERNAL trade position will be the main feature of the economic news due this week, with the possibility of further indications that the favourable performance in the recent signs of greater official first half of this year will not

continue. Prices will continue for some months to reflect the impact of past wage awards, as well as the recent indications of a renewed

rise in the cost of industry's raw materials.

On Friday, the retail price index for September will show the latest information on the trend of inflation, following the significant increase had slackened significantly. It is recognised that for cost of industry's raw materials, the domestic economic recession, the next few months the level of and fuel, which rose 3% per cent high level of de-stocking in will show increases at rates well are due to be published by the Department of Industry to-day.

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throwing  
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# The Executive's World : The Office

## The world of the English pub

BY ROY LEVINE

ENGLISH ARCHITECTURE is becoming a booming export business. The English Pub, already part of the country's folklore, has become part of the pop art of Europe and the U.S. Now period architecture, especially of the Elizabethan and Tudor periods, is fast catching up.

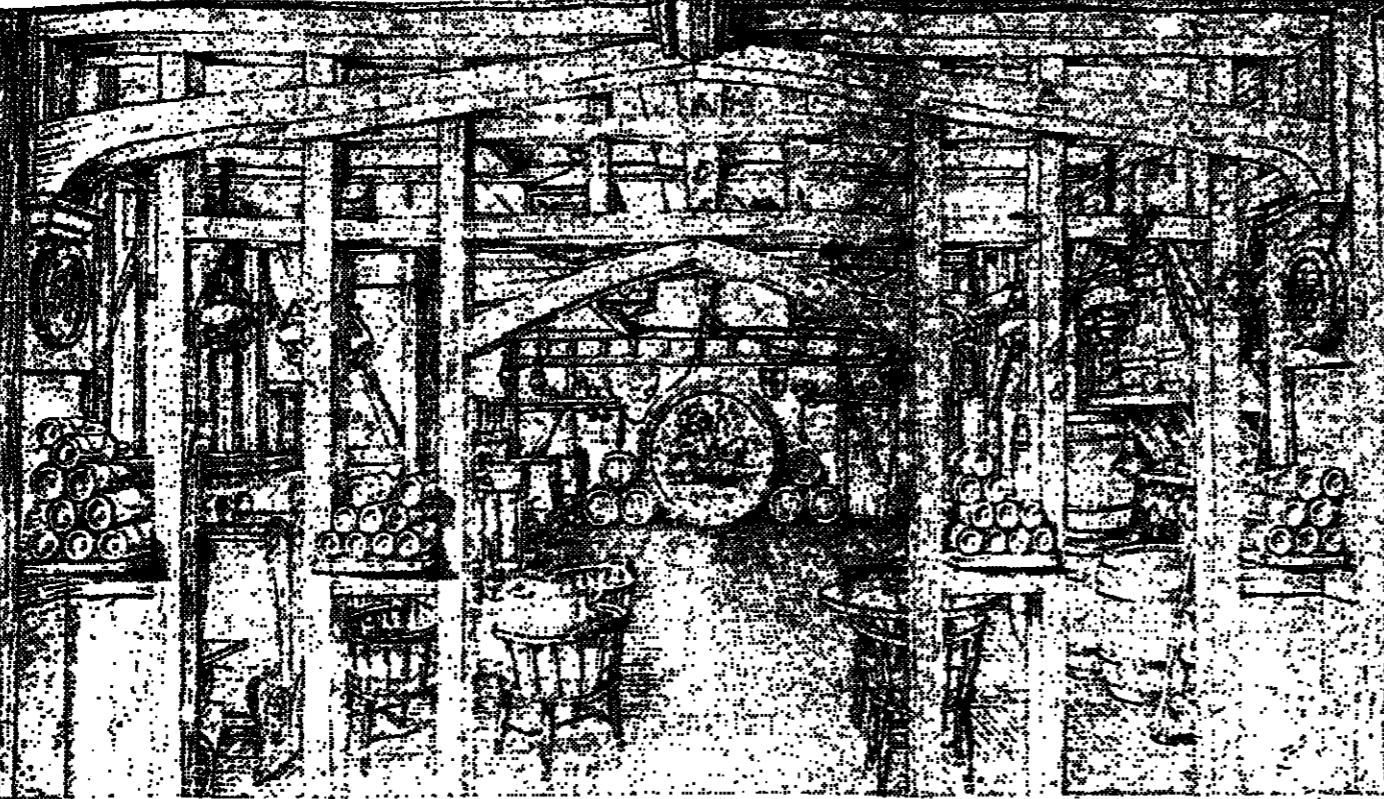
The U.K. breweries, particularly Whitbread and Bass Charrington, have been busy over the past few years building English pubs across Europe—the novel decor helps to sell their beer. Berni Inns, part of the Grand Metropolitan group, has built a chain of restaurants in Japan modelled in "Ye Olde English" tradition. Mr. John Bloom (of Rolls-Royce fame) has been active in building an "English" restaurant chain in the U.S. So the cult is becoming international.

Fans of the English pub can visit "The Churchill" in Strasbourg, "The Champions" in Amsterdam, "The London Tavern" in Malmo, Sweden, among others, and feel as if they have never set foot from home.

One small London company that is benefiting from the burgeoning fashion is the old firm of H. Bradford and Sons, builders since 1842. Its managing director, Mr. Norman Fairman, who joined in 1955, has formed a new subsidiary called Authentic Interiors which has a growing export business building pubs on the Continent, Elizabethan restaurants in Japan and mock castles in America, housing a maze of restaurants.

"Most of our clients have beaten their anticipated returns," says Mr. Fairman. Although English period architecture may be a passing fad, its novelty is enough to attract patrons away from their normal eating places.

In Columbus, Ohio, a conference town with a year-round season, "The Wine Cellar," a mock Tudor pub and restaurant complex designed by Authentic Interiors is now attracting more people than the famed Kahiki Club, a Polynesian eating house bridge Project" because each



A drawing of the Suntory Pub, part of The Tudor Inn, in Tokyo.

supplying some of the displays, either plaster or Glass Rein-beam moulded from 14th century oak beams, reclaimed from decayed period buildings. But the fireplace is less of an artifact and is built with hand-made bricks using the 500-year-old formula of sand and clay. The fireback, grate, and kettle are genuine antiques.

Authentic Interiors was given a three-week deadline to complete the first part of the project, with the Japanese anxious to bring patrons into the building that was costing over £1,000 a week in rent. "We were careful to fulfil every obligation exactly on time," recalls Mr. Fairman. "They appreciated our promptness."

The company has also designed and supplied interiors for a wine cellar and Cheshire Cheese Bar for the Sheraton Hotel in Philadelphia; and a King Arthur and includes Sir Guild Hall, Cromwell Room and Lancelot's Winer, Sir Galahad's Refectory and Merlin's Wine Shop. The company has also designed and supplied interiors for a wine cellar and Cheshire Cheese Bar for the Sheraton Hotel in Philadelphia; and a King Arthur and includes Sir Guild Hall, Cromwell Room and Lancelot's Winer, Sir Galahad's Refectory and Merlin's Wine Shop.

According to Mr. Laurie Kirkland, one of the designers, a contract has just started—the decor has been modified to design of a chain of 50 restaurants in Peoria, Illinois. This is known as the "Drawbridge Project" because each

ambience. Japanese diners can munch moulded chicken liver Tudor Inn Style for only £6.80 (about £1) at the behest of the owners, the giant Suntory group (famous for Japanese

Most of the equipment for overseas contracts is built at the

Japanese market is still

which has become a landmark restaurant will be modelled on untried despite the activities

in the state. The owner of a mock draw-bridge which is of Berni Inns, according to Mr. Kahiki Clubs, Mr. Lee Henry, raised and lowered when open

Europe looking for a long and closing the restaurant.

The design is a combination of facets from three of Britain's famous castles—Carisbrooke, Tudor Wine Cellar, Elizabeth

Warwick and Berkeley. The Lounge, Cherry Tree Inn and

Wine Cellar" and Mr. Fairman's company got \$40,000 for actual materials used for the Tudor Keep Bottle Store.

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The Areas for Expansion

## EXECUTIVE HEALTH

### Causes of food poisoning

BY DR. DAVID CARRICK

IF ONE devised a medical calendar showing which disorders appeared most regularly, surely the most consistent offender, winter or summer, would be "food-poisoning." Any general practitioner of more than one week's experience must have heard the understandably banal observation: "I think it was something I ate, doctor." With the quaint addendum: "I suppose it didn't agree with me."

Apart from chemical poisons and dishes made from fungi like the bulky "death-cap" toadstools, or serious diseases such as typhoid and cholera which, mercifully, are rare in this country, one is left with two groups of enemies. In their mode of action and speed of attack they are very different. They could be compared with the bespoke garment and the ready-made, for the customer has to wait for the former to be made; but the latter can transform him rapidly.

Of the first group, two varieties of dysentery, Sonne and Flexner, due to bacilli, were the scourge of institutions, particularly in the 19th century, owing to their highly contagious nature. Contaminated foods and direct contact spread the disease. Although still common particularly in schools and such-like communities, it has been tamed by modern drugs. In 1965, of 26,183 cases, there were only 26 deaths; but 40 years before, in 1925, there were 135 deaths.

Recently there were reports of deaths of newly-born infants in a hospital, the cause being Salmonella (according to the radio) a used them all in a giant Queen "virus" called Salmonella. In fact the organism, discovered by the American Dr. D. E. Salmon in the late Nineteenth Century, is a bacterium infinitely larger and, happily, easier to treat than a virus. This organism, which may come from a human carrier or from rodents or other creatures, is happiest when settled closely in rich media such as cooked meats and other pre-prepared or re-heated foods left unprotected.

Authentic Interiors also does domestic work. "It's become more popular now, with people clinging to the past," notes Mr. Fairman. But period interiors have not yet become a part of office design, as it has in the U.S. There, period design has become part of the new vogue for contour planning, the ideal antidote to the square office.

Mr. Fairman is hopeful that the trend will start in the U.K. Given the trend towards more employee participation in management, it is quite credible to sit the chairman in a King Arthur chair made of English oak in front of his round boardroom table.

### ABF saves £1m.

By Peter Cartwright, Midlands Correspondent

THE DRIVE to save energy should not be confused with saving energy costs. All the time when it occurs, it can be a very pleasant experience, as Associated British Foods has found in contemplating around £500,000 cuts in its collective electricity bill of £3.5m. for 2,500 shops in the Allied Bakeries subsidiary.

About a third of this saving is accounted for just by changing to a different tariff. An instance of the benefits is the bill of £1515.22p for 515,000 units on block 1 against 2917.16p on maximum demand tariff. Admittedly the Electricity Board in whose area most of the savings are now being made was at fault in not recommending the most economical tariff originally, but it has nevertheless done a small service in causing ABF to scrutinise tariff differences more closely to see whether savings can be made by changing. The maximum demand tariff has in general kept pace with inflation, while block tariffs, since Mr. Denis Healey's dictum that public corporations should "pay their way", have been shooting up. In at least one area it has paid ABF to change from block to maximum demand tariff.

Another £100,000 or so is being saved by planned lighting maintenance. In an average year the 2,500 shops need some 50,000 fluorescent tubes replacing, which in the past has been done when they blacked out. In some areas this cost up to 25p a tube against a current planned maintenance cost of 27p a tube. The scheme is operated by contractors who every two years replace all the tubes in a shop (tubes have a rated life of 7,500 hours against about 3,000 hours use a year).

Allied Bakeries has found that regular replacement enables them to take out some tubes in existing shops (and cut all numbers in new shops) while at least maintaining adequate illumination. "We estimate that we are getting 50 per cent more light per KW of electricity and we get this replacement service for less than the recommended retail price of the tubes," Mr. Frank Pender, director of ABF's Purchasing Organisation, declared.

Other substantial savings have been achieved by moving from local to central purchasing of replacement catering equipment like electric rings, insulation jackets and so on.



A "grateful" patient presented the chef with 50 duck eggs who partake of "salmonella have to make their poison sandwiches" are soon very un poison is pre-packaged, happy, as 85 of 140 members of a "keepfit" con-

gress discovered during a conference last spring. Within 24 hours of contracting the bacterium, victims suffer from fever, headache, abdominal pain, diarrhoea and vomiting. Happily, the condition is not long-lasting if treated with medically prescribed chemotherapy, rest and fluids, preferably fruit juices, to prevent dehydration. I well recall one bad outbreak at the hospital where I was trained. A "grateful" patient presented the chef with 50 duck eggs (notorious as sources of Salmonella) and the silly fellow

in a hospital, the cause being Salmonella) and the silly fellow (according to the radio) a used them all in a giant Queen

Puddings for the nurses fact the organism, discovered by the American Dr. D. E. Salmon in the late Nineteenth Century, is a bacterium infinitely larger and, happily, easier to treat than a virus. This organism, which may come from a human carrier or from rodents or other creatures, is happiest when settled closely in rich media such as cooked meats and other pre-prepared or re-heated foods left unprotected.

Places where catering is done on a large scale, such as hotels, are due to the staphylococcus subject.

Over 40 exhibitors take part in the s informal discussions ti

poisoners, the most common is up the conference due to the staphylococcus subject.

Part of its weapon new machines are usually engaging itself making showing their wares an

boils. Part of its weapon which was unfortunate for the patients.

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1.8 Special Coupé

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## THE JOBS COLUMN

## Kuwait · Sales · Angler

BY MICHAEL DIXON

THE NETHERLANDS - based facilities locally, but they have finding the site to furnishing Column because it found him a Bos Kalis Westminster group is to be paid for out of salary, the completed building. And it good man when he was in his which is not specified. My is in this estates division that previous job as marketing guess, however, is that in sterilizing the sales executive is primarily director for Reed Executive Selection. So be sure not to let term it must be at least needed.

As well as selling, the new- him down! Please.) carnable too. So, remembering comer will be helping the offered through Professional Selection.

Kuwait's non-tax advantages, marketing manager to develop sales promotion techniques, of

the pay seems good—to me, which mail-outs are the mainstay at present. Responsibilities will cover sales in London and parts of the Home Counties.

The company has around 50 staff and a turnover of around three quarters of a million, and

Malcolm Hargreaves says it has good reason for believing that it can raise this to more than £1m. over the next 12 months.

His preferred candidate will have experience of selling at a high level and knowledge of the estates, property, construction area of business. Numeracy, as well as persuasiveness, are

desired, and I gather that a married man with children would have an advantage.

The salary will be in the £40,000 to £50,000 bracket, plus an

commission. Perks include a car. Three working weeks off in addition to the statutory.

but the prime need is administrative skill and experience of

negotiating with the to extend their buildings. But

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manager and wife and children it has now added an estates

division with the aim of seeking

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from the company's base in Watford.

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governments as well as oil corporations. Age range is 30s-40s.

Conditions, include a good

Trevor Wynn-Jones to provide

free services to companies who

furnished accommodation, and need

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Trevor Wynn-Jones to provide

free services to companies who

furnished accommodation, and need

medical treatment for the to extend their buildings. But

Mr. Hargreaves's address is

manager and wife and children it has now added an estates

division with the aim of seeking

Road, North Watford, Hertfordshire WD2 4UZ — telephone Harry Picken, Tel. 0632-28343.

Experienced around 25-35 to work as a sales

in the Middle East would help

from the company's base in Watford.

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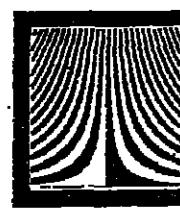
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# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## • PROCESSING

### Bugs extract uranium cheaply

FOR SOME time, a great deal of attention has been paid to this is that the process can be kohlenwerke AG (Rheinbraun) the possibility of using bacteria applied to much poorer ore for of Cologne covering the design as the agents in the elaboration the same metal cost than has and construction management of new chemicals and in the been exploited hitherto and it is a pilot plant for lignite gasification extraction of metals from their significant that the first ore to be ton using oxygen or air.

One process, which employs bacteria to simplify the extraction of uranium from its ores, has advanced enough to warrant serious commercial consideration and Matthew Hall Orteck has taken a licence from the U.K. Atomic Energy Authority to cover marketing and engineering rights on a world basis for the process — described as a ferric leach bacterial oxidation system for uranium extraction.

The result of several years work at Warren Spring Laboratory, the process is immensely attractive, particularly now, because it allows rather coarse ore to be used instead of finely ground material so that there is an immediate major energy saving resulting from the ability to dispense with ball mills.

### Gas from brown coal

FRIEDRICH Uhde GmbH of Dortmund has been awarded a

the energy research scheme Uhde is at 46 Dortmund, Deggendorfstrasse 10-12, Postfach 262, German Federal Republic.

### Spray has many uses

POST-PUMP injection is a feature of the "12" range of spray cleaning equipments put on the market by Euroclean, Elstow Storage Depot, Kempston Hardwick, Bedford (0234 794072).

Apart from detergents almost anything can be put through them including acids, fertilisers, insecticides, fungicides — without damaging the pump. Many uses will therefore arise in agriculture, horticulture, food processing, kitchens, shipping, aviation, breweries and swimming pools, apart from vehicle cleaning.

The chemicals are injected into the water stream on the pressure side, avoiding pump and corrosion risks. There is fingertip control at the spray wand.

Each machine (there are three basic models) is complete with trolley, pressure hose, spray wand and stainless steel jets and operates from the domestic electricity supply.

## • METALWORKING

### Water-based cutting fluids

INTEREST in the application of water-based synthetic cutting fluids for metal-cutting machining operations has grown recently, advantages in respect of health, environmental considerations, useful life and economy being important arguments in their favour.

On the other hand, difficulties in application in relation to lubrication, maintenance and compatibility of materials have hindered their universal acceptance. Hitherto, there has been very little information published on this subject but following a conference organised by the Machine Tool Industry Research Association earlier this year, the papers presented and the subsequent discussions have now been published to make the information more widely available.

Bound copies of the proceedings can be obtained at £15.00, Huller Road, Macclesfield, Cheshire SK10 2NE (0625-254211), cash with order, from MTTA.

At the conference it was clear that, in view of the increasing emphasis on health and environment in the metalworking industry, synthetic cutting fluids have considerable potential. Although their performance in terms of their effect on tool life, surface finish etc. is often not greatly superior to that of other fluids, the information presented in the papers and discussions shows that their use is increasing steadily.

However, it is apparent that wider use will demand more effective co-operation between machine manufacturers, cutting fluid suppliers and suppliers of materials such as paints, seals and covers to overcome the problems involved.

These problems are discussed in the proceedings of the conference which include contributions from the suppliers of the fluids, observations by suppliers of materials and components (including covers, paints and seals) and the experiences of the machine tool designers and users.

The acquisition of CMC in the U.S. by Pertec will not affect the trading relationship between the two entities other than enhancing it, since CMC in the U.K. already has close links with Pertec.

But the addition of Reality to the European equipment repertoire could grow CMC in Europe away from the marketing area in approximately 25 seconds.

CMC is at Maxted Close, Hemel Hempstead, Herts. (0442 612661). (021-552 1551).

## • RESEARCH

### Where the solvents go

CONSUMPTION OF solvents in the U.K. is about 500,000 tonnes a year. Half of this is recovered by hydrocarbons, 30 per cent. by oxygenated and 20 per cent. by chlorinated solvents.

These figures are quoted in a report on a study of solvent recovery carried out by Industrial Aids which estimates there are about 12 companies providing a solvent service and 17 specialising in recovery plant.

According to the report, paint and varnish manufacturers account for 35 per cent. of the total and are the largest end users of hydrocarbons and oxygenated solvents.

Degreasing, general machinery cleaning and dry cleaning account for over 80 per cent. of the chlorinated solvents. Other important outlets are in chemical reaction are rarely adhesives, inks, polishes, pest-ridge formulations, and in the manufacture of fibres and pharmaceuticals.

Over 100,000 tonnes a year of solvents are used for cleaning

machinery, degreasing and paint stripping, and much of this is recovered. Almost another 100,000 tonnes is currently recovered annually from other end use sectors, and the report identifies the potential for further recovery in each of these sectors.

It is considered that about another 50,000 tonnes a year can be recovered, but that for various technical and economic reasons, there will be no increase in recovery in the foreseeable future in certain of the end use sectors.

Solvents are recovered in vapour form mainly by absorption or as liquids by distillation. Vapour phase recovery where the solvent is associated with large quantities of air is of necessity an inhouse operation, but liquid phase recovery can be done continuously or in batches. There are a number of specialist recovery companies who undertake this type of service.

Other processes such as filtration, centrifuging, or recovery by chemical reaction are rarely economic.

The report costs £500 and is obtainable from Industrial Aids, Terminal House, 52 Grosvenor Gardens, London SW1W 0AU. The report costs £500 and is obtainable from Industrial Aids, Terminal House, 52 Grosvenor Gardens, London SW1W 0AU.

## • SOFTWARE

### Gemini's star in the ascendant

AFTER some six months of uncertainty, the future of Gemini to be able to think of the management and to present Computer Systems in the U.K. retrenchment. Gemini has now been clarified by the parent companies, CAP Europe, indicated that the services and software industries were holding up well because computing was now not one of the activities which was automatically chopped down in a period of recession, and be responsible for all facets of its work.

The company can now go ahead with fresh impetus and will undoubtedly benefit from close working with a world group of software specialist companies now having a turnover of \$50m, which is very considerable for this area of business.

In one way or another, the company is linked with such organisations as CAP Sogeti, its parents, SIA and Isin, which can only make for strength at a time tended to diversify into a number of areas including probably further packages, selling of the letter to be organised across frontiers so that each could be sold by the specialist rather than the national salesman have a whole repertoire which might not fully understand.

CAP Europe and Gemini offices in Europe are moving into close collaboration while retaining their identities and now form a \$20m a year multi-national.

They are reorganising strategy for the anticipated pan-European systems which are to be installed over the next several years.

Meanwhile, it is clear that Gemini's overseas associates want to see it so that U.K. expertise in software can be made available everywhere.

Gemini Computer Systems is at 01-405 5071.

**thirley**

**FUME, LIQUID  
and  
SOLID WASTE  
INCINERATOR**

Supply Road, Hartlepool, Middlesbrough, Tel: 0643 57652

## • ELECTRONICS

### Source of high volts

FIVE MODELS are in the Mark II range of stabilised high voltage power supplies.

Brandenburg, 99a, London Thornton Heath, Surrey CR0 0441.

Variable output of the ranges from 0.5 to 5kV a.m.p. The output at against load changes is 2% per million, and against voltage variation of ±10% it is 10 ppm/degrees C.

Output is under closer control at all times and varied from zero to full output by manual coarse controls on the front panel, remote control facility in the output is controlled, external voltage is available optional extra.

Suitable for bench use in rack mounting, the use plug-in boards for servicing and all high voltage protection and to prevent tripping breakdown.

## • SERVICES

### Bureau to use new ICL unit

TO-DAY Computer of Bracknell, becomes the first commercial computer bureau in time on a large ICL 2900 machine. The facility is available to the bureau through a range of services made with W. H. and Son, for access to the company's machine installed Swindon service centre.

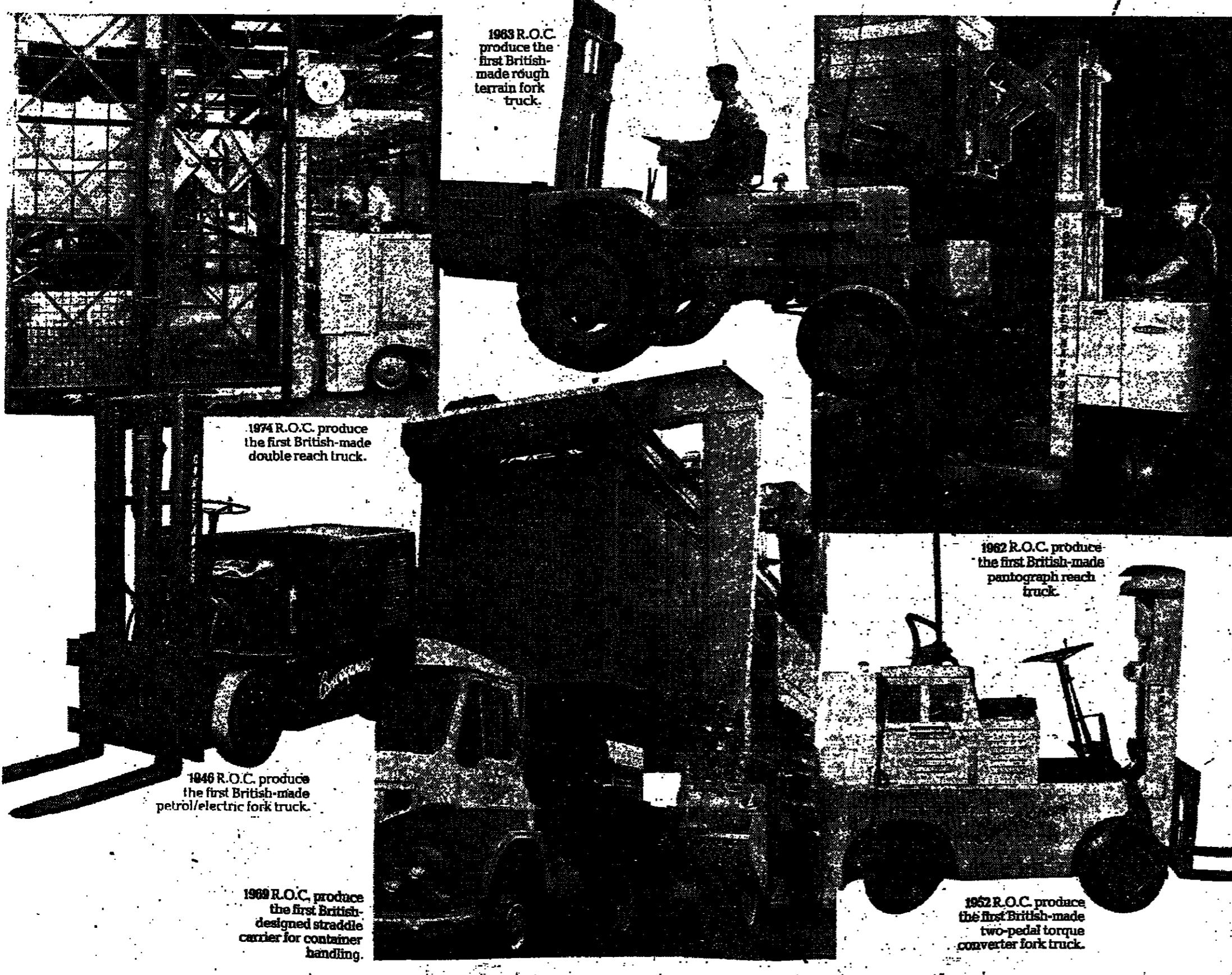
Computer, considers a major step forward to service since it will now be able to offer in all organisations developed "Beetle" amide resins manufactured by Chemicals Division of BIP at Oldbury, West Midlands.

The process comprises pre-treatment of the fabric with a sensitising agent (Beetle resins L5155 and BT333) together with a catalyst. The fabrics are passed through a finishing liquor and stenter-dried prior to transfer-printing on calenders at temperatures of 215 degrees C for 25 seconds.

CMC is at Maxted Close, Hemel Hempstead, Herts. (0442 612661). (021-552 1551).

Computer is on 0344 230.

# We may not be the first fork truck company you think of, but we're often first in other ways.



We're not the biggest fork truck company in Britain. We're the second biggest.

So it may surprise you to learn just how many times over the last 27 years that we've led the field.

This is what Rubery Owen Conveyors have achieved.

1940 R.O.C. produce the first British petrol/electric fork truck.

1952 R.O.C. produce the first British two-pedal torque converter fork truck.

1962 R.O.C. produce the first British panoramic reach truck.

1963 R.O.C. produce the first British-made rough terrain fork truck.

1969 R.O.C. produce the first British-designed straddle carrier for container handling.

1974 R.O.C. produce the first British-made double reach truck.

All of which, we think you'll agree, is sufficient reason to check us out before making any purchase in the mechanical handling field. After all, if you don't, you might be missing something.

In addition to our enterprise we can also claim to be one of the longest-established British mechanical handling companies, having originated in 1947.

And we can offer probably the widest range of mechanical handling equipment in the country, anything from a 2,000 lb. Conveyance fork truck to a giant 40-ton Kardif mobile gantry crane.

A further strength is that we're part of the biggest privately owned commercial group in Britain, Rubery Owen Holdings Limited.

As you may already know, member companies of the Rubery Owen Group produce a wide variety of products, ranging from kitchen furniture to lorry chassis, some 12,000 different items in all.

They employ some 15,000 people to do so. And, obviously, this leads us an unrivalled wealth of practical experience in the mechanical handling field, as well as considerable financial backing.

So before you commit yourself to any new mechanical handling venture, please call us in.

No other company offers such a wide range.

And no other company offers such a wide experience of mechanical handling.

**RUBERY OWEN  
Conveyancer  
Limited**

P.O. Box 24, Thornton Road, Warrington, WA5 1GD. Tel: 0825 352222 Telex: 62375.

# Building and Civil Engineering

## n. office ck for DWN Life

HAS started on a new headquarters at Woking for Crown Life.

whole project will cost £5m, and it is expected the building will be ready in 1977.

E. Wiltshire has won the contract for which the clients are The Collins Melville Partnership.

5-storey building will 300 square metres of ancillary accommodation, including a computer suite, as kitchen and dining. The building will be air-conditioned and carpeted out the office areas.

## ctories Wales

ELSH Industrial Estates division has awarded a contract to George Wimpey for the construction of four factories which will be part of the Tafarnaubach Industrial Development at Tredegar, Gwent.

factory will be steel, the lower part of the exterior walls in brick with asbestos cladding February 1977.

## TRACTS AND TENDERS

### NOTICE OF TENDER

#### Supply of Equipment

##### I. Customer Meter/Regulator Stations

###### I. City Gate Stations

gas—Radna Organizacija Transporta, Prerade, Primene 1 metra Gasa—Novi Sad, has received a loan from the International Bank for Reconstruction and Development in various currencies equivalent to U.S. dollars 58.4 million toward the cost of a natural gas gathering, transmission and distribution project in Yugoslavia, known as the "Naftagas Pipeline Project Yu-916" and it is intended that the proceeds of the loan will be applied to payments under the contract or contracts for which this notice of invitation to bid is issued. Companies or organizations having the capability experience standing to supply, c.i.f. Yugoslavia port or Yugoslavia, the following material are invited to bid:

18 Measuring and Regulating Stations for working pressure 720 PSIA

39 Measuring and Regulating Stations for working pressure 275 PSIA

are requested for individual items of equipment and/or complete skid mounted stations.

submitting their offer, the bidders will be required to state manufacturing and marketing references for the last five years with evidence of their financial standing for the past year.

copies of the Tender documents can be obtained from:

"NAFTAGAS"—RO "GAS"

NARODNOG FRONTA 45/1

NOVI SAD, YUGOSLAVIA

in payment of Dinars 30,000.00 in Yugoslav currency to Filiala Novi Sad, Account No. 65700-601-4933 or equivalent in foreign currency to the Volvodjanska Banka, Novi Sad, Account No. 65700-620-219-3200/248.

Under documents can be obtained against deposit receipt October 10, 1975.

closing date of the bids is 12.00 hours Yugoslav time on October 25, 1975.

bids will be opened at 10.00 hours on December 1, 1975, in the offices of Naftagas—RO "Gas"—Radna Zajednica Zastitice, 21000 Novi Sad, Narodnog Fronta 45/1, Room 130, Yugoslavia.

Information available at telephone number (021) 21-677.

### NOTICE OF TENDER

#### Supply of Coating and Wrapping

##### Material for Underground Gas Pipelines

gas—Radna Organizacija Transporta, Prerade, Primene 1 metra Gasa—Novi Sad, has received a loan from the International Bank for Reconstruction and Development in various currencies equivalent to U.S. dollars 58.4 million toward the cost of a natural gas gathering, transmission and distribution project in Yugoslavia, known as the "Naftagas Pipeline Project Yu-916" and it is intended that the proceeds of the loan will be applied to payments under the contract or contracts for which this notice of invitation to bid is issued. Companies or organizations having the capability experience standing to supply, c.i.f. Yugoslavia port or Yugoslavia, the following material are invited to bid:

—Approximately 1,000,000 sq. m. of plastic tape

with primer and outer wrap

are requested for a part of the material and/or complete material.

submitting their offer, the bidders will be required to state manufacturing and marketing references for the last five years with evidence of their financial standing for the past year.

copies of the Tender documents can be obtained from:

"NAFTAGAS"—RO "GAS"

NARODNOG FRONTA 45/1

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Information available at telephone number (021) 21-677.

## Bowey gets over £1.8m. orders

CONTRACTS worth more than £1.85m. have been awarded to the Bowey Group of Gosforth, Newcastle upon Tyne.

Ralph Bowey and Son, the main building company, has got most of the work which includes a radiology department at the Royal Victoria Infirmary, Newcastle (£100,000), houses and flats for the Cheviot Housing Association (£518,000) and flats for old people for the Anchor Housing Association (£250,000).

Also ordered are two advance factories for English Industrial Estates (£55,000), and further work at Moorhouse School, North Shields for North Tyneside Metropolitan Council (£150,000). New work worth over £213,000 has been secured by William T. Wallace and Son, while Internal Building Services has won contracts worth more than £162,000.

Further contracts totalling over £100,000 have also been won by other subsidiary companies including Gosforth Joinery Works, Gosforth Painters, Greener Engineering Services and J. Ward (Electrical).

A HYDRAULICALLY operated vibrating compactor, and pile or sheeting driver, for attachment to hydraulic excavators has been introduced by Consolidated Pneumatic Tool Co., Fraserburgh, Aberdeen (Fraserburgh 3131).

Available in two models to give an impact force from 6,400 to 10,250 psi at 2,000 and 1,900 cycles/minute respectively, the equipment, called the Ho-Pac, is intended to achieve high density compaction to the order of 95 per cent in lifts from 2 to 4 ft. according to material and at rates of up to 50 and 110 cu. yds/hr.

It will also drive steel and timber sheeting and piles in a variety of soil conditions.

A WATERPROOF adhesive bedding mastic that will bind exposed aggregate finishes and metal cladding to damp or dry substrates is available from Unibond, Tuscan Way, Camberley, Surrey GU15 3DD (0276 63135).

Called HydrEpoxy 104, the mastic's main advantage is that it enables finishes to be applied to newly-built walls and newly-cast prefabricated wall panels while they are still dryable.

It also allows waterproof decorative renderings to be applied to walls affected by severe driving rain.

It is a two-part system and is prepared by mixing aqueous dispersions of resin and curing agent with an equal volume of sand. Because the material is dispersed in water, rather than in chemical solvents, it is easy to mix and apply and can be washed off the mixing equipment with warm water and detergent, says the company.

A 10-litre mix will cover an area of about 1.5 sq. metres to a thickness of 6 mm. Brick, concrete, asbestos cement and timber are among the materials to which finishes can be bonded.

A VIBRATING compactor attachment

operated by a motor or sheeting driver, for attachment to hydraulic excavators has been introduced by Consolidated Pneumatic Tool Co., Fraserburgh, Aberdeen (Fraserburgh 3131).

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## Bungalows in Bahrain

KHARAFI—Guildway Homes of Bahrain—has been awarded a contract by the Government of Bahrain worth £1.5m.

The contract calls for 75 America Line bungalows, and they are to be built in Isa Town, Bahrain, as Stage 1 of the Government's housing scheme.

The bungalows will be manufactured at the new Kharafi Guildway factory in Al Khobar, Saudi Arabia.

A HOMES to be improved

REDDITCH District Council has awarded Tarmac Homes a £227,000 contract to carry out improvements to 170 dwellings on its Sillins Estate.

Work to be completed, during a 39-week period, will comprise the complete refitting of kitchens and bathrooms with repairs and decorations.

A CONCRETE at the right moment

ONE OPERATOR can load the basic materials, mix and transport concrete to the right place at the right time using the Airon 3500 four-wheel mobile concrete mixer introduced by Unistrut (Importers and Exporters) 11 Market Place, Chelford St. Peter, Bucks. (Gerrards Cross 35744).

Providing an alternative to the purchase of ready-mixed concrete, the unit can provide up to 3½ cubic yards in under 20

minutes. It should prove particularly useful where access for large delivery vehicles is impractical.

Utranazz claims that, taking into account the cost of materials, the operator's time and the cost of running the machine, the self-mixed concrete is one third less expensive than ready-mixed.

The mixer, drive and tilt are hydraulically driven, as is the self-loading shovel. Also built into the machine are a water tank and hydraulically driven water pump for injecting measured quantities of water after the aggregate and cement have been loaded. Weight batching can be provided.

A COMPRESSORS go quieter

AN ORDER for the supply, fabrication and erection of 700 tons of structural steelwork for the new training headquarters of the Royal Engineers to be built at Hawley near Farnham, Hants, has been placed with Bourne Steel.

A wide range of buildings are covered by the contract including an educational block, sports centre, social welfare officers' sergeants' and other ranks mess, training theatre, technical cinema and medical centre.

The contract, worth about £300,000, has been placed by the Royal Engineers Training Centre, in London, next month, including two new items.

The first is a Sonlite lighting gallery for use with the 10 ft. inst. of the Tealights TL60, doubling the present light output. It has four 1,000 W high pressure sodium lamps giving a total output of 480,000 lumens. Reflectors have been designed for maximum spread, with minimum glare.

For builders who want a floodlighting unit which will convert

into a mobile generator, the company is introducing the Maxi-lite. A feature is that its air-operated telescopic mast, which can be raised to 25 ft, can be unbolted, leaving a 2.5 kVA trolley mounted generating set.

It is powered by a 6 hp Farymann K14 diesel engine, and can operate at 100 or 220 V. The mast carries two 1,000 W tungsten halogen lamps with a total output of 44,000 lumens. The maker is at Longfield Road, Tunbridge Wells, Kent, TN2 3HW (0892 37611).

Another company which is introducing a site floodlight is Wyrspower, Drove Road, Evershot, nr. Gillingham, Kent, SG12 2UX (076 50011).

For internal or external use, the 21 ft. high mast weighs only 25 lb. The mast is in either three or four aluminium alloy tube sections, supported by a tripod assembly.

Requiring a 110V supply, the unit is fitted with two 500 W tungsten halogen lamps.

## STEEL BARS AND SECTIONS

RELIABLE SERVICE in times of scarcity and plenty.

GKN(South Wales) Ltd. A member of GKN Rolled & Bright Steel Ltd. Castle Works, Lander Hill, 0222 35023

## Lighting the site

SITE AND mobile floodlighting equipment will be featured by the stand of Simpson Interbuild Trading Co. at the Interbuild Exhibition in London next month, including two new items.

The first is a Sonlite lighting gallery for use with the 10 ft. inst. of the Tealights TL60, doubling the present light output. It has four 1,000 W high pressure sodium lamps giving a total output of 480,000 lumens. Reflectors have been designed for maximum spread, with minimum glare.

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## IN BRIEF

• Two contracts, one for houses and the other for roads at Crawley, Sussex have been awarded to G. T. Crouch. Total value is over £23m.

• Cementation Piling and Foundations is carrying out a £200,000 contract for the modernisation of the Sunderland shipyard owned by Austin and Pickersgill. Over 500 large diameter bored piles carrying loads of up to 1,600 kN per pile are being constructed.

• Fuller Hall and Foulsham, in conjunction with the Australian practice of Meldrum Burrows and Partners have set up an architectural practice in Riyadh, Saudi Arabia.

## COLD EXTRUSIONS MAKE THE WINNING MOVE

REPUBLIC OF ITALY

## CASSA PER IL MEZZOGIORNO

### SPECIAL PLAN FOR THE ELIMINATION OF POLLUTION IN THE GULF OF NAPLES

for the assignment of the executive planning, execution and biennial administration of the sewage works and pertinent purification plant in the Provinces of Caserta, Naples and Salerno.

### DIRECT MANAGEMENT

a) In order to realise the objectives of the Special Plan for the Elimination of Pollution in the Gulf of Naples, the CASSA PER IL MEZZOGIORNO must provide, amongst other things, for the construction of sewage works installations and the pertinent purification plant.

b) The subject of the present Notice is the execution and biennial administration of the foregoing works in the Provinces of Caserta, Naples and Salerno, subdivided into the following lots and described in the several plans forming the integral part of the invitation for Tenders.

1. Napoli Est—Purification Plant and sewer trunk line network (Lot PS3/145).  
2. Napoli Nord—Purification Plant and sewer trunk line network (Lot PS3/144).  
3. Caserta Area—Purification Plant and sewer trunk line network (Lot PS3/147).  
4. Salerno Area—Purification Plant and sewer trunk line network (Lot PS3/141).  
5. Middle Salerno Valley Area—Purification Plant and sewer trunk line



## FINANCIAL TIMES SURVEY

Monday October 13 1975

JULY 1975

## WEST GERMANY

West Germany's influence, both within the EEC and outside has grown swiftly in recent years, and it is playing a wider role in world affairs.

The country has coped with economic recession better than most of its neighbours, albeit at the expense of relatively high unemployment.

ew rules

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W

me

Nicholas Colchester

Bonn Correspondent

MARCH of world events has the Federal Republic of Germany into maturity. For the last five years, the world has been a fixed world security of a fixed world Germany was part of a European community bi-polar world and was under the American umbrella. A fixed exchange rate allowed it to build itself up to one of the world's most important trading nations.

Germany's salesmen everywhere, the thrust of foreign policy was not so massive. Aside from its commitment to Europe, this policy was based on the development of less strained relations with the Soviet bloc so that the two sides could work together. The result has been a blurring of German foreign policy into one of West Germany's most remarkable achievements—another article in this survey describes The Chancellor, Helmut Schmidt, has missed the day in 1971

when the fixed exchange rate system ceased to exist. Since that day, and some would say because of it, the economic climate has become more treacherous and West Germany has had to fend for itself and take its own initiatives. The EEC has crept at the seams. The rise in influence of the oil and raw material producing countries has made the bi-polar world become multi-polar. The American umbrella can no longer be taken for granted and to some extent has had to be questioned as well.

This more independent Germany is a land of undoubted influence. It pays for 26 per cent of the cost of NATO. It pays 30 per cent of the cost of the European Community. Now that the industrialised world is in a recession it is to Germany's lead, alongside that of the U.S. and Japan, that the other countries look.

But West Germany's evident power is also fragile. Apart from coal and a little gas, Germany remains dependent on imports for all its raw materials. The compensating exports account for one-quarter of the country's gross national product. While in these uncomfortable times the U.S. can toy with the idea of a new isolationism, West Germany is utterly unable to batten down its hatches. It must stay open to the world and rely on its wits to stay afloat.

The result has been a blurring of German foreign policy into one of West Germany's most remarkable achievements—another article in this survey describes The Chancellor, Helmut Schmidt, has missed

Interview with Chancellor Schmidt  
The economy  
Politics  
Foreign policy  
Defense

II Nuclear energy  
III Foreign investment  
IV Energy policy  
V Trade with the East  
VI Rail and post  
VII Migrant workers

VI Worker co-operation  
VII Competition  
VIII Farming  
IX Electricals  
X Steel industry

X Motor industry  
XI Aerospace  
XII Chemicals  
XIII Banking  
XIV The Bundesbank

**BASIC STATISTICS**  
Area 95,937 sq. miles  
Population 62m.  
GNP (1974) DM995bn.  
Per capita DM16,050  
Trade (1974) Imports DM178bn.  
Imports DM238bn.  
Exports from U.K. £1.0bn.  
Exports to U.K. £1.9bn.  
Trade (1973 to end June) Imports DM83bn.  
Exports DM108bn.  
Imports from U.K. £986m.  
Exports to U.K. £1.05m.  
Currency: Deutsche Mark £1=DM5.24

trial world, and tirelessly preached international co-operation instead of confrontation" between the developed and the raw material rich countries. Herr Dietrich Genscher has continuously talked of the interdependence of nations in the modern world and of "co-operation instead of confrontation" between the developed and the raw material rich countries. Herr Genscher took this message to Africa and his Minister of State, Herr Wischniowski, took it to seven other key developing countries in a build up to the successful seventh session of the UN last month.

## Visitors

That Bonn's peripatetic ministers were able to expand the scope of German policy so far beyond the horizons of the 1960s, and to give time to a bed of social security for a flood of distinguished visitors back in Bonn was thanks to the political and social peace at the time. The next general election within the parties is now a year away and the preliminary sparring between the parties has already begun. The parties have already begun to question the "social market economy" in which free enterprise, with worker involvement in management, is encouraged. The successful are allowed to keep their wealth, the unsuccessful or unfortunate accepted without a tremor. Nor has the expected wrath descended, so far, on the country's 2m. guest workers. Much of the foregoing is qualified by the words "so far" and I will explain why later.

The critical number has been exceeded and so far accepted without a tremor. Nor has the expected wrath descended, so far, on the country's 2m. guest workers. Much of the foregoing is qualified by the words "so far" and I will explain why later.

I must add that I have been saying "so far" for months now and that the social side of a federal system, which ensures that Bonn's scope to develop as a "social market economy" is already limited. The citizen has great respect for the rule of law, and the older citizen has every historical reason for this. The murder

of a judge last year by Berlin terrorists caused particular revulsion. When the rule of law is challenged by the political leadership, it is expected to solidify in face of the threat.

It was remarkable for British or French eyes to see leading Government and opposition politicians come together without a murmur in a "crisis staff" to deal with this year's two main acts of terrorism.

The last Chancellor, Willy Brandt, used to remind the people that he could not take Stockholm — were disturbing acts by any standard. Their significance was, however, great. He would take every decision in German Government if he were physically capable of it. Decisions come easily to him and delegation does not. On an international plane his early tactics to present cogent alternatives to modern German society, the average citizen feels deliciously cocooned in a web of permits, regulations, registrations and notifications. He has

watched and approved as the rules of his existence in a free society are refined down to the last detail by painstaking process of logic. Woe betide those who should fly with wild actions in the face of this achievement.

The citizen is conformist and respects the "system." Yet this system is a model of slightly inelastic democracy. It is also a federal system, which ensures that Bonn's scope to develop as a "social market economy" is already limited. The citizen has great respect for the rule of law, and the older citizen has every historical reason for this. The murder

of a judge last year by Berlin terrorists caused particular revulsion. When the rule of law is challenged by the political leadership, it is expected to solidify in face of the threat.

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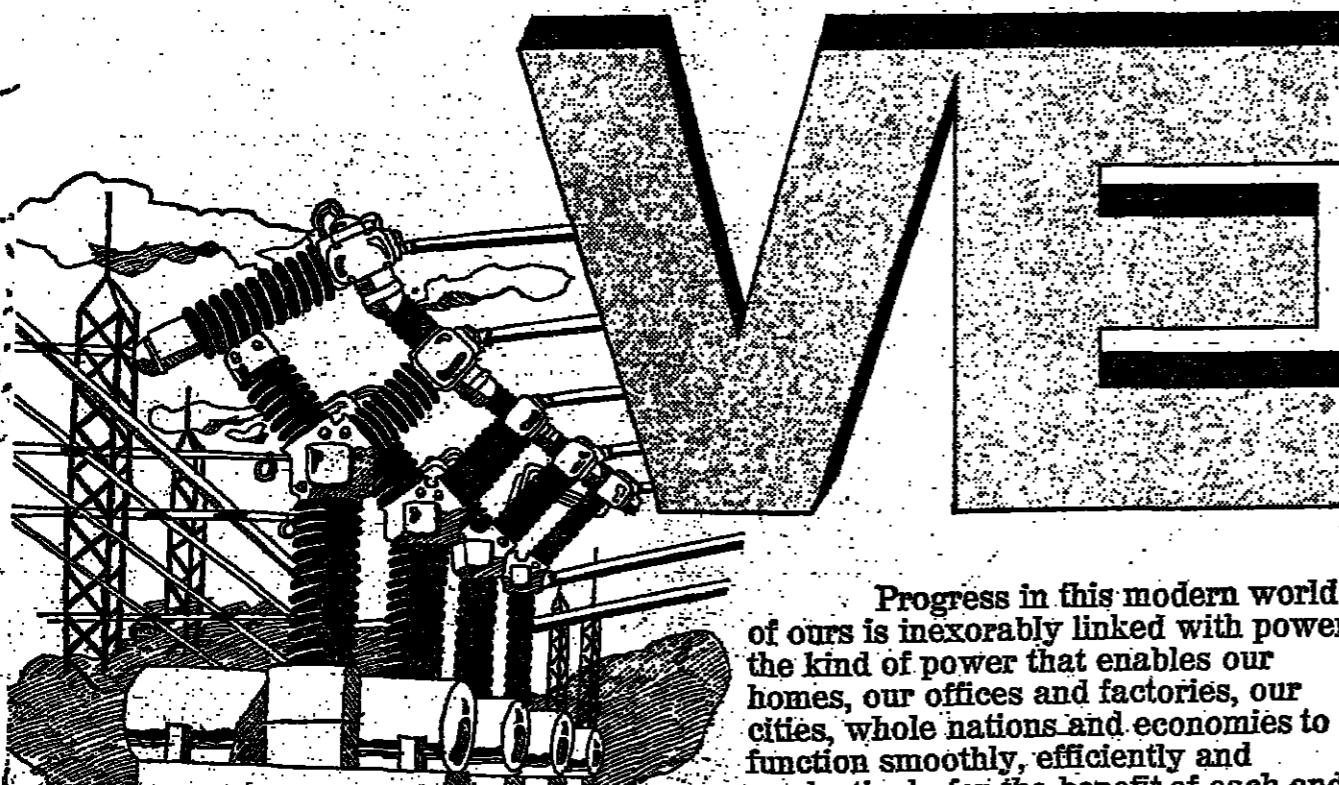
won him great respect. Herr Schmidt is respected in West Germany too. If in rather a chilly way. Within his own party he is clearly irreplaceable as Chancellor and will prove a tough obstacle for the Christian Democrats in next year's elections.

## Urgency

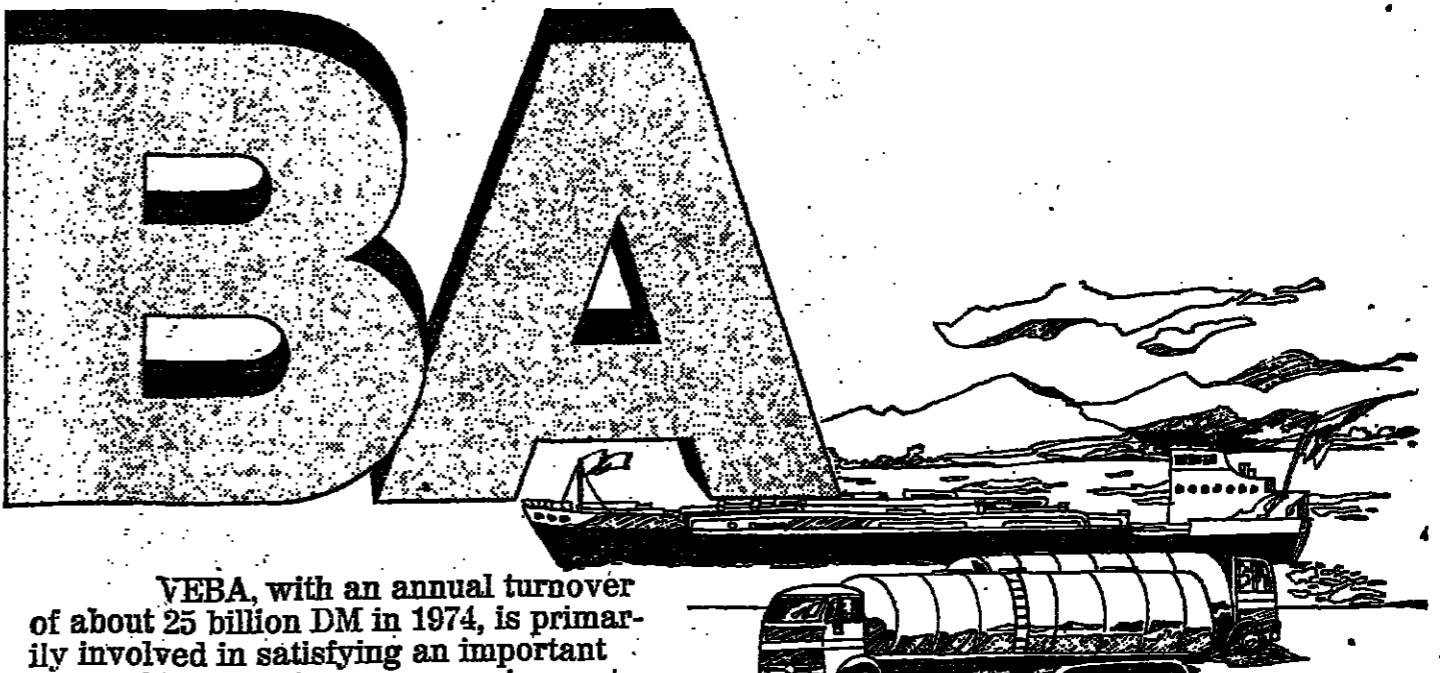
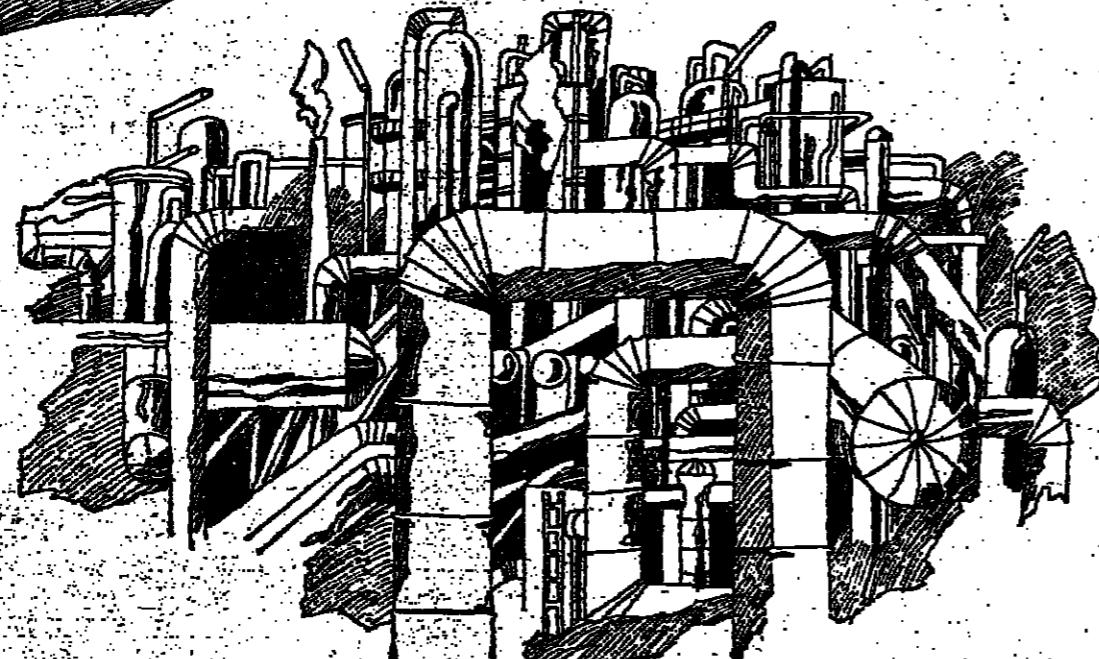
As things stand at the moment these elections will be dominated by economic issues, for the recession has added a sense of urgency to the old ideological discussion of which way the social market economy should be developed. A later article describes in greater detail how

CONTINUED ON NEXT PAGE

# A World of Power for a World of Progress



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## WEST GERMANY II

In a written interview, Chancellor Helmut Schmidt explains his continued confidence in economic growth, his optimism that the next upswing in Germany can be combined with relative price stability, and his belief that structural problems in the economy must mainly be dealt with by market forces. He criticises the European Community's farm policy, but maintains that in the long run a European foreign policy must cover defence questions.

# The hopes of a realist

**Growth is indispensable to rising social expenditure. This Government's cure for its financial troubles relies on a resumption of real growth. Do you still believe in the possibility of a "super boom," with inflation again emerging as the key enemy? Or is recession still your main worry?**

**Helmut Schmidt:**

I have never believed in a "super boom." I have merely pointed out that for the first time since the war, the business cycles of all the major industrial countries are in phase. We have gone through recession together, and therefore we must be alert to the danger of inflation rates feeding each other during the upswing in a boom-like fashion.

What we all want and what we are all striving for is an upswing in conditions of stability. The Federal Republic already has the most stable prices in the world. We expect to be able to maintain stable price levels once the economy picks up again. Producer prices have hardly risen since the start of 1975. Consumer prices may therefore stabilise further.

Our industry is emerging from the recession with production capacity and productivity reserves to spare. During the upswing it will benefit from the cost advantages of improved capacity utilisation. There is thus no immediate necessity to pass on higher costs across the board front.

Our trade unions have shown

in the past a high degree of responsibility as regards the economy as a whole, and have managed step by step to negotiate one of the highest levels of real wages in the world for their members. I am confident that they will continue to make their contribution towards an economic upturn accompanied by stability.

I therefore assess positively the chances of retaining the greatest possible degree of price stability during the next upswing.

Structural problems, which must be removed by market forces, are said to exist in West Germany. What are today's problem areas? Do you think that market forces are still effective in Germany's highly institutionalised society? Hasn't the experience of the last two years led your thoughts in the direction of investment planning — what the French call planification?

I agree with you: structural problems must be overcome in the first place by market forces. The State's role is to help along the adjustment process with incentives. I am against central planning and guidance of these adjustment processes by a bureaucracy. A topical example that demonstrates the effectiveness of market forces is the construction industry in the Federal Republic. In the last few years it has adjusted its capacity. In late summer this year we adopted a Government investment programme for the building sector designed to stimulate over DM10bn. in demand. With this programme, we are ensuring that the adjustment process is not over-accentuated by the recession. The industry's capacity should not be based on demand during the recession but on that obtaining over the medium term. From

this has not happened. One cannot simply transplant workers to some other job in some other region regardless. In any case, this would not take account of changes in the structure of demand in the labour market. The simple transfer of workers without regard to structural changes in the demand for labour is more likely to check the growth of prosperity.

Governments, companies and unions throughout the industrialised world are called upon to agree together on ways of solving the problems posed by rapid structural shifts in the labour market. In the Federal Republic, we have learned that it makes little sense in the medium term to put off structural change by pursuing "lame

social peace to Germany" bringing social peace to Germany.

## New rules for a new game

CONTINUED FROM PREVIOUS PAGE

The Economics Minister, Hans Friderichs, an ardent supporter of free market principles, said last week that real investment in new plant must rise at 8 per cent per year from next year onwards to cure unemployment in a workforce that is growing at an annual rate of 100,000 people. Industry currently plans no growth at all in its investment next year and Herr Friderichs is not the man to order them to do otherwise. The impetus, he says, must come from increased profit through wage restraint.

Herr Friderichs did not

explain where the demand to justify such investment would come from. Only a month before he had told parliament of worrying signs of "consumer saturation" in West Germany. There are more details on this and on the all-time record rate of savings in a later article in this channel through which German rather than down. There is, else's standards. Germany now

### Leisure

Finally, and most fancifully, the heresy is being whispered in West Germany that German efficiency may have already recovered to their level before the oil and commodity threat developed.

Another accompaniment to German employment is to be maintained on a domestic basis. The German worker already gets more holiday than any other worker in the OECD, but with a delightful inconsistency his pay goes up during this period of leisure rather than output if he had to work. Such investment would form a system of enforced leisure of there.



Chancellor Helmut Schmidt.

many in the post-war period—an achievement of which we are proud.

You are said to be personally in favour of a fixed exchange rate system. Is this true? Do you share the French view that floating rates are one of the causes of our current economic problems? What would you like to see emerge from the attempts to reshape the world currency system? What practical steps can be taken towards tying the "snake" in some way to a dollar-yen combination?

I believe that volatile floating rates have contributed to the current world recession. The transition to floating exchange rates was, on the other hand, an unavoidable step if international trade and payments were to be kept free of restrictions in the face of balance-of-payments deficits and sizeable differences in inflation rates from country to country. Furthermore, it was only through floating rates that we were able to slow down the uncontrolled growth of liquidity brought about by the previous obligation on central banks under the Bretton Woods system to buy U.S. dollars in unlimited amounts at a fixed rate.

In the field of monetary policy, at the moment we need the closest possible co-operation, not only within the dollar area and within the so-called European snake, but also between these two groups. Although exchange rates cannot just be fixed by governmental decision and — in addition to that — will be expected to stay at the fixed peg, we should all be trying to ensure that the oscillations do not become as large again as they were during the first phase of floating. Our attention at this

time should be concentrated on flattening out the wild movements. To give the monetary system a greater degree of balance, we will in due course require a neutral reserve unit of account which functions smoothly, that is a special drawing right based on a basket of currencies. If that is the case, we shall have to be extremely careful not to overload our monetary mechanism with inappropriate functions. In the long run I am all in favour of fixed, but adjustable exchange rates. And we will anyway need an international monetary system which keeps trade and payment movements free of restriction, encourages international co-operation, and does not present us with the sudden disruptions and crises which we have experienced since 1971.

I would not like to venture further on this topic to-day. In order not to upset the very difficult deliberations going on over the reorganisation of the monetary system.

In Europe economic and monetary union still seems a long way off. A smoothly functioning Common Agricultural Policy presupposes substantial progress toward EMU. What corrections can therefore be made to the CAP in the middle term, and do you feel any more confident than a year ago that such corrections can be agreed upon?

I do not think that a well-functioning Common Agricultural Policy primarily presupposes substantial progress towards European Monetary Union. On the contrary, I believe that substantial progress towards economic and monetary union — not to mention other necessary conditions — will only be possible once the CAP is put into better working order. I am convinced that all Europe will recognise that the Common Market in agriculture will cease to work in the future unless we are more successful in realising its essential aims in greater measure.

First of all, we have so far not managed to stabilise all agricultural markets. Surpluses still remain, an ever-growing problem.

Second, the aim of relatively undistorted competition has only been achieved because of the highly artificial mechanisms designed to compensate for currency fluctuations.

Third, the application of funds and the finance policy procedures of the Community are unsatisfactory. The costs of running the CAP market have risen from 1.6bn. units of account at the end of the 1960s to about 4bn. in 1975. It is becoming increasingly difficult to finance surpluses.

What we must aim at is a reduction, at least a stabilisation, of expenditure on the individual product markets by creating better market balances. Then there must be a certain risk to producers involved in producing surpluses without regard to market requirements. Finally, world market prices should, if possible, not be left entirely out of the picture. All this can and must also contribute to limiting the costs of disposing of surpluses in a decisive manner.

this is a powerful reason two opposed ideologies can with one another in good. The West now needs seen supplies of raw materials. you think that detente has brought us sufficient access to Soviet natural wealth? The Federal Government never failed to make considerable steps forward. The Nine will advance further along this road towards the goal of European union. Of course, we have also to be prepared for setbacks along the way.

I am sure that we will in the long run not be able to round off a joint European foreign policy without including European defence policy. However, as a realist I do not think that the development of such a policy — whatever is being actively done to bring about cooperation in this field — will be one of the more immediate steps in the direction of a European foreign policy. This is not a question of wishes, not a question of optimism or pessimism, but simply a realistic appraisal of the situation and its inbuilt possibilities and chances.

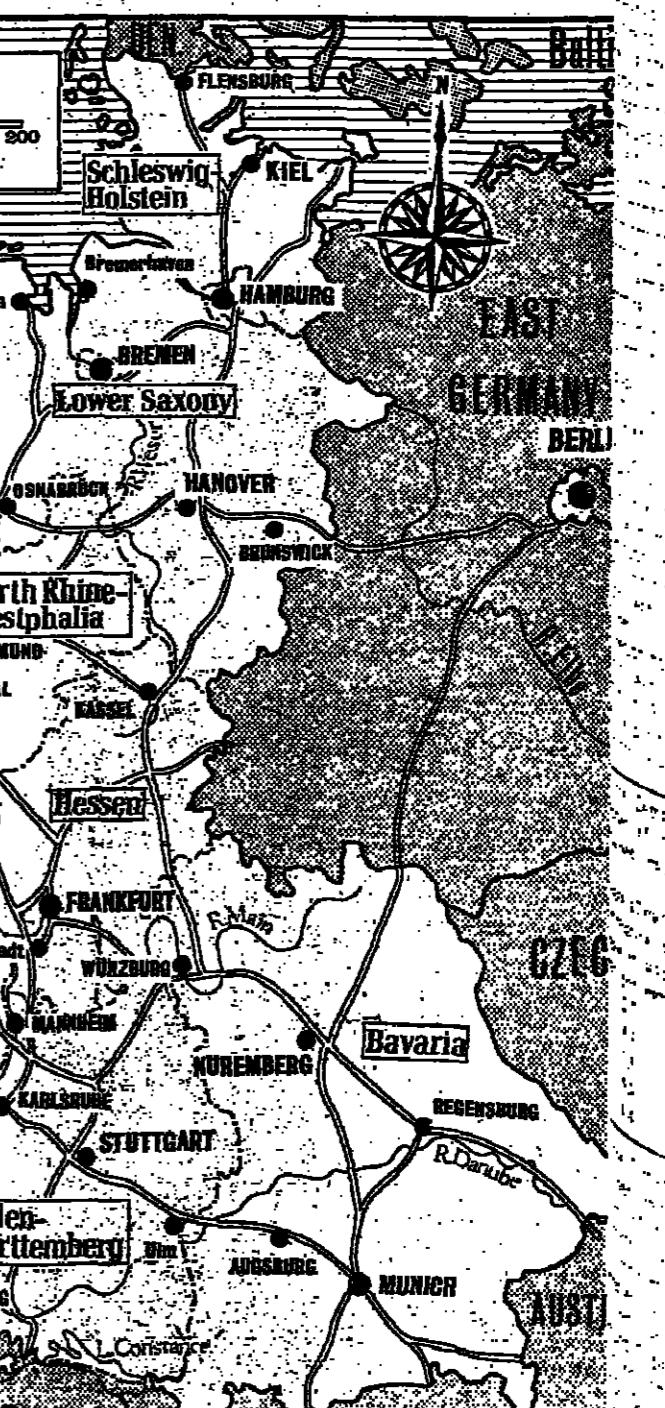
You have criticised past U.S. actions — for example, the inflationary impact of the financing of the Vietnam War. Do you feel that the U.S. now takes more account of the views of its European allies, and in what fields do you think that accord is particularly urgent?

Following my visit to the American President, Mr. Ford, at the beginning of this month, I am in a position to say that the views of the United States and those of my Government regarding the need for international co-operation in, over-coming the world-wide recession and in resolving other issues are largely in agreement and even more converging.

The same applies to the topics for the coming international oil, development aid and raw materials conference. But I also wish to stress the importance of closer harmonisation of interest rate policies and of close collaboration between the two currency areas, the dollar area and the snake area. I feel that the chances of such broad international co-operation coming about on all these subjects, which we wish to discuss further at the economic summit, are better than they were a year ago.

Exaggerated hopes and fears connected with Ostpolitik seem largely to have evaporated. How do you now view developments with the East, particularly in the economic field? A few examples from the recent past: The Community number of joint positions on important international problems, and these it has upheld externally. A few examples from the recent past: The Community has worked out within the framework of European political co-operation (known as EPC) a number of joint positions on important international problems, and these it has upheld externally. A few examples from the recent past: The Community has worked out within the framework of European political co-operation (known as EPC) a number of joint positions on important international problems, and these it has upheld externally.

In the discussion of detente you have often stated your conviction that Russia needs western technology and that



## WEST GERMANY III

Falling export sales, spare industrial capacity and rising unemployment have forced the Germans to take a fresh look at the country's economic performance. Attempts have been made to reflate the private sector, and Government spending has been cut back.

## The economy

GERMANY has this year for the first time this decade, the darker side of its much success as an exporter.

approximately one quarter of Germany's gross national product sold overseas, a 13 per cent collapse in real export over the first half had visible consequences. The N.F.P. in the first half fell 1.5 per cent. Faced with spare German industry cut in its investment, by a quarter per cent in the first half, its made matters worse. Employment has remained at 1.5m. for the whole of the first half and threatens now to 1.5m. this winter.

economic slump has had effect of raising the internal profile of West Germany. The need to defend Germany's prosperity has forced its leaders to become than the good neighbours "yes" to Europe and to America and who are to foot any bills that are to them in a good cause, have become more than the expenses. They have the lead in calling for national co-operation on economic policy. They have very clear what relations they would like to see between the industrialised and the developing world.

have suffered and reacted criticism from other industrialised countries that Germany is doing too little to the developed economies again.

Finally, the slump has hit it with fears that Germany faces a period in its prosperity will rise more slowly than the people are accustomed to. The unexpected fall in tax this year has led to a financial crisis and in most areas of Government spending over the rest of the decade. The slump has given impetus to a question of the principle of the market economy.

One side claims that the "X" element is stifling and the will to invest, the other says that more investment is required to ensure that needed investment is carried out and that investment is not

statistics.

Germany's experience exports will one day prove economists with an interest in statistics with which new theories of the relationship between exports and exchange rates. The simple to-day would be that West Germany benefited excessively from a low D-mark parity during the period of fixed exchange rates in the 1960s and than invest overseas, was to build up foreign sales a home base to a precarious. Then came a massive rate readjustment in 1973, the D-mark revalued by 20 per cent in five years. Germany's exports continued their own momentum and then ground to a standstill in a period of world recession. Such was Germany's reliance on export sales that government was more or less helpless to do anything.

theory probably has some truth in it, but it rides lightly over some anomalies. Last year was a boom year for West Germany despite the fact that since the beginning of the year there has been no deterioration in Germany's competitive position probably an improvement.

valuation of the D-mark at the currencies of the most industrialised countries.

Nominal Change allowing for relative increase in wage costs, per cent.

1.5 12.7  
2.3 4.4  
2.1 1.8  
2.7 2.9  
5.8 6.4

far this year the D-mark fallen by 3.5 per cent, but the currencies of the most industrialised countries. Thanks to a moderation of wage increases, Germany's unit labour costs will go up by around 7 per cent in manufacturing industry, according to the OECD. So there is a very pronounced in the value of the D-mark the rest of this year, it is that Germany's wage increases will rise in 1976.

Economics Minister Hans Friderichs.

expecting foreign orders, rather than internal demand, to provide the basis of a rather modest recovery in the West German economy.

Nominal growth rates in per cent, expected by German industry

1975/76/1976/75  
Total turnover ... -3 + 9  
Inland turnover -2 + 8  
Export turnover -5 + 12  
Number of employees ..... -5.7 - 12  
Gross capital investment ..... 0 + 4

For the economy as a whole it now seems likely that real exports will be down by 10 per cent for the year as a whole unless there is a remarkable pick-up in foreign sales over the rest of this year. Real imports will probably show an increase of 2 per cent. The effect on Germany's balance of payments will be relatively mild because of the shift in the terms of trade referred to earlier. In the first eight months the trade balance was DM25.2bn. in surplus compared with DM33bn. in 1974. On current account the surplus is DM5.8bn. against DM13.1bn. last year.

Among the components of German domestic demand the development of consumer demand is the most disappointing and the development of capital investment the most worrying. Thanks to the last round of wage increases and to a generous programme of tax reform mass income in the first six months was 4 per cent up in real terms on the equivalent period of the previous year. Yet consumer demand only rose by 2 per cent in real terms (8.2 per cent nominal). The Economics Minister Hans Friderichs estimated recently that of the 5 per cent fall in real national product in the first half, between 3.5 per cent and 4 per cent was due to the fall in exports. For this reason German analysis of what is necessary for a recovery concentrates on the buying power of its trading partners. Those trading partners, also suffering from recession and unemployment, are understandably more interested in a revival of German internal demand. The two components of demand—export and German domestic—will therefore be dealt with in turn.

## Shift

The high rate of saving suggests that the export demand for German goods is now "bottoming out" and could even be climbing once again. The clearest rise in the month of August was in the foreign demand for capital goods. The most tangible piece of evidence for a recovery in export orders is found in a recent survey of German manufacturing industry carried out by the IFO institute. The companies polled reported that they were expecting a 12 per cent increase in nominal export turnover in 1976 after a 10 per cent nominal fall in 1975. The reproduction here because this institute has achieved semi-official status in its polling of German industry. The figures show that German industry is

the growth of German industry.



N.C.

## Organization of Sparkassen, Landesbanken/Girozentralen in the Federal Republic of Germany

## Public Savings Banks

The German savings banks (Sparkassen) are legally and economically independent credit institutions. They are commercial savings banks operating under public law. The savings banks' liabilities are guaranteed without limitation by the respective communities (town, country), whereby all deposits held by a savings bank are fully secured. The business of a savings bank is directed by its managing board.

The supervisory body of a savings bank is the board of administration, on which the general public and the local government (a town, a country or several communities) are represented. Their tasks and activities are laid down in the articles, which allow the savings banks to do all usual banking business for their customers. Transactions for their own account are subject to some limitations to secure the deposits, e.g. savings banks are not allowed to acquire securities out of their own funds.

In addition to the communal savings banks there is also a small number of "free savings banks." These are savings banks without a local government as guarantor. Contrary to the communal savings banks the free savings banks are subject to private law (in most cases as associations or trusts).

The savings banks offer all services of a modern banking institution. Their services are available to every private individual, every business enterprise and every local authority. The following are the most important forms of business transacted: the acceptance of all types of deposits, credit business of all kinds, encouragement of the acquisition of personal property, settlement of cashless payment transactions and all other types of banking services, e.g. transfers to payees in Germany and abroad, collection of debts, bills and receipts, execution of cheque transactions and issue of cheque cards, purchase and sale of foreign currency and travellers' payment media caring for the need of customers in the field of foreign trade transactions.

At the end of 1974 there existed in Western Germany 700 savings banks head offices with more than 16,000 branches.

## Savings Banks Associations

The savings banks of each federal state are united in regional Savings Banks Associations. The tasks of the regional Savings Banks Associations are, among other things, to represent the common interests of the savings banks, to offer information and advice to the members of the Associations in all matters of savings banking; to train staff members of the savings banks and to further their professional education; to examine the handling of business and the balance sheets of the member savings banks. At the head of the regional Savings Banks Associations is the Deutsche Sparkassen- und Giroverband in Bonn (German Savings Banks Association). It is the central representative of savings banks' interests and corresponds to the savings banks associations on the regional level. It is the spokesman of the savings bank system in the public sphere and also to the Federal Government and parliament. Through its board and committees it influences the co-ordination of the savings banks and Landesbanken/Girozentralen, which are also its members.

## Landesbanken and Girozentralen

The 12 Landesbanken and Girozentralen in the Federal Republic of Germany are operating under public law like the savings banks. Their liabilities, i.e. also the deposits maintained with them, are guaranteed by the regional Savings Banks Association, individual Lands of the Federal Republic, or big communal associations. The business is directed by a managing board and the general management is supervised by the board of administration.

The Landesbanken and Girozentralen are the central banks of the savings banks. They act as clearing houses for the savings banks' national cashless payments. They hold the liquid reserves of the savings banks within their area of activity and effect the regional balancing of funds among the savings banks. Moreover, the Landesbanken and Girozentralen

transact all customary banking business, e.g. granting short, medium and long-term loans to industry, commerce, trade and public authorities; in many cases they provide loans jointly with the local savings banks.

The Landesbanken and Girozentralen are entitled to make issues. They issue mortgage and municipal bonds. In addition to security and stock exchange dealings the services provided by the Landesbanken and Girozentralen include foreign business in all its fields. To an increasing extent the Landesbanken and Girozentralen participate in international money and capital transactions, and, in particular, in the business of international financing.

The Landesbanken and Girozentralen assist the savings banks in their foreign business, for which purpose the maintaining of relations with foreign banks is of particular importance. On the other hand, the extensive network of branches of the German savings banks organization is utilised by foreign banks through the Landesbanken and Girozentralen.

The standard DM travellers' cheques of the German savings banks organization issued by the Landesbanken and Girozentralen and the savings banks show as drawee, Deutsche Girozentrale-Deutsche Kommunalbank, Berlin and Frankfurt am Main.

## Building Societies

Along with the savings banks and the Landesbanken/Girozentralen there is a third group constituted by the 13 public building societies. These are institutions specialised in housing finance. Contractual savers with these building societies form their own capital which benefits in Germany from State premiums or tax relief. The building societies grant loans to their customers at favourable rates of interest with which to finance the building or purchase of their own home and land.

## Deposits and basic Capital Resources

The German credit business is sound. In the Federal Republic there is a well-balanced structure of private commercial banks, co-operative banks and credit institutions operating under public law, with special and general functions. The biggest Group among the credit institutions operating under public law is that of the savings banks (Sparkassen) and of the Landesbanken/Girozentralen. Every single deposit in these institutions is fully backed by a public guarantee. The guarantor for the savings banks is the respective local administration. The deposits of the Landesbanken/Girozentralen are guaranteed by their owners, who are usually the executive of the respective Lands of the Federal Republic and the respective savings banks.

The sources upon which the savings banks draw to set up their own capital is their net profit, after deduction of tax. The Landesbanken and Girozentralen draw their basic capital resources from the allocation of their profits to reserves and from the allocation of the guarantor, i.e. of the respective State Governments and of the regional Savings Banks Associations in those Lands of the Federal Republic. While the private banks are able to set up their own capital in different ways (issuing of new shares/participations) the savings banks are prohibited by law from doing so. The basic capital resources of the Landesbanken/Girozentralen and of the savings banks are modest in comparison with that of the private banks.

But this is not detrimental to their business transactions because the guarantee provided by the cities, communities and states have a net worth function which covers the liabilities of the Landesbanken/Girozentralen and savings banks.

## DEUTSCHER SPARKASSEN- UND GIROVERBAND

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## Bremer Vulkan builds ships for the world

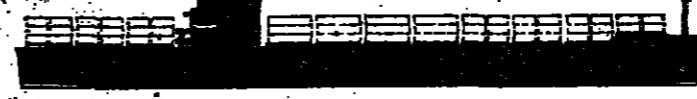
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30



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32



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## WEST GERMANY V

Changes in policy, leading to an expansion of the armed forces and rationalisation of military hardware supplies, have given Germany a new role in Europe's defence.

IMPROVEMENT in the about the division of Europe, reputation and indeed its role, and runs through the West German territory. Their problems over the past two years was to establish a credible front line defence for Western Europe, especially in the central area. While the British so long ago as the '50s had a 'hairy force', the British wehr has now become the most efficient army in Europe. The French, with the recent examples may illustrate the change in the situation. A very senior official spoke the other day of the improvement and expansion of the West German forces as one of the factors which, along with the continuation of the Viet Cong split, had helped in the military balance in the east and west. Coming from that source, there could be higher tributes.

almost as a matter of a senior West German spoke of the *Bundeswehr*.

The obvious reference to the *Wirtschaftswunder* or the miracle of the past; transformation of the German forces has been no markable than the earlier formation of the economy. These two judgments, though professional, it is interesting that recent opinion in the Federal Republic that the armed forces are sing curve of popularity. Thus one of the reasons for the improvement in the reputation and morale of their armed forces is simply the arrival of better equipment—the gradual replacement of the M48 battle tanks by the Leopards and of the HS 90 mechanised infantry combat vehicles by the Marder examples. The Leopard is for reductions (MBFR) in anti-tank defence and the Marder carries an anti-aircraft missile system. Both are among the best equipment of their kind in the world, and specifically suited to West German needs.

about? The answer seems

in a combination of political maturity and a defined problem to

the British, French or Germans, the West Germans in another way. A glance at the table of direct military comparisons (not temptations) out and West Germany, as listed in rights for officers, men and their own area. They knew the Military Balance 1975-76 NCOs. Each can elect their

foreign

CONTINUED FROM PREVIOUS PAGE

ontation—particularly at tices apartheid? September economic session. The Soviet nuclear deal is one of the most ambitious Bonn-Moscow projects broached so far. West Germany would build the power stations and Moscow would supply the electricity to the Federal Republic via West Berlin. But like the more exotic projects for co-operation spanning decades, suggested by the Soviet leader Mr. Brezhnev on his visit to Bonn two years ago, little has come of it so far. The ready excitement of the initial phase of the Ostpolitik has given way to a rather hard slog for reasons over which has only partial influence. The point is that West Germany's recession, energy, raw materials and development needs are inextricably interrelated. It had a leader capable of organising a drive to deal them in concert. And it is in a peculiarly good position to play an effective middle role. It has the economic weight of a great power. But on whole it arouses neither memories of a colonialist past nor fears of a colonialist future. It is good for its political credibility. It is also, of course, for business with the world.

### Expertise

The maintenance of this position requires as much expertise as that of the wire artist simultaneously filling dozen plates. The tator watches breathlessly ee which will fall first. And there are clear signs of in. For example, a West man firm may shortly, wiage nuclear power station tract from South Africa. It would be the precursor of many. Yet the Foreign Minister worried about the effects of a deal on Bonn's carefully tured relations with Black Africa.

gain under pressure of session, Bonn is preparing to examine its attitudes to imports of military equipment. to now it has lagged far such exporters as the U.S. and France. Industry has doubt it could substantially raise such sales—if the government relaxed its ban on rears to areas of tension—would not West Germany's official status suffer in the process? The decisions will not be. For example, Bonn is at present trying to arrange a deal which nuclear power stations will be exported to the Soviet Union. Her Western France. Industry has at first objected to this but have since backed up. Is West Germany, then, prepared to make such a deal with the Communist East but to use it to a state which gives cause for hesitation.

# Defence

published by the International Institute for Strategic Studies, shows a very instructive pattern. The British RAF consists of an enormous variety of aircraft: Vulcans, Buccaneers, Phantoms, Harriers, Jaguars, Lightnings, Canberras, Shackletons, Nimrods, Victors, Britannias, Andovers, HS-125s and VC-10s—the list is not exhaustive. This reflects partly the political difficulties created by an aerospace industry far too big for national requirements, and also the worldwide role which it was thought until recently, that the RAF might have to fulfil.

The German list is quite different. Although the number of combat aircraft is about the same, it consists largely of Starfighters and Phantoms. There is a similar concentration in transport and trainer aircraft. Of course, the Germans did not have a domestic aircraft industry to mollify in the same way as Britain, but it is striking that while they had much more money available for defence expenditure, they chose to invest it in a relatively small number of aircraft types. They saw the virtues of efficiency and standardisation. The Luftwaffe is thus more suited to the defence of Europe than is the RAF.

The Germans turned out to have another advantage over their western allies in terms of attitudes to their own armed forces. The American conscript army blew up in, or at least because of, Vietnam. It simply could not stand the wave of political protest. The French conscript army has been having problems—admitted by the French themselves—because old military 'traditions' had not been adapted to modern political demands: conscripts were not well enough paid, did not have enough to do and were unsure of what their purpose was supposed to be.

The Bundeswehr, by contrast, began rather idealistically with the concept of the "citizen in the army" and all sorts of built-in rights for officers, men and their own area. They knew the Military Balance 1975-76 NCOs. Each can elect their

own spokesman, and there has long been an Ombudsman specifically for military complaints. For a time, it looked as if this system was getting out of hand—during the student riots of the late 1960s and the heyday of the Ostpolitik in early 1970s. The pendulum swung back when it was realised that, despite the concessions offered in the Ostpolitik, the Warsaw Pact continued to expand its armed forces. The Soviet military build-up indeed seems to have led to a new understanding of the need for, and requirements of, the Bundeswehr within the Federal Republic. At the same time, it became clear that the rather liberal attitude towards discipline could, if not carried too far, help to relieve friction.

The French army, for example,

is only now being allowed some

of the individual rights which

have been accorded to members of the Bundeswehr for years.

### Alliance

It would be utterly wrong, however, to draw the conclusion that the West German armed forces have become a power in their own right, either inside the country or in Europe. The Bundeswehr is still an alliance army, or it is nothing. The reasons for this remain the same as they always were.

Even by European standards, West Germany is a narrow strip of land. The maximum distance between its eastern and western borders is 300 miles; in many areas it is much less. Nearly one-third of the population lives in the area less than 65 miles away from the eastern border; more than two-thirds live in the area less than

Malcolm Rutherford  
Diplomatic Correspondent

125 miles away from the same border. These facts dictate certain strategic consequences. One is that, given the size of the Warsaw Pact forces, West Germany could not conceivably repel an attack on its own, and the converse is that nor could it conceivably make one without the backing of the western alliance. Another is that in the event of West Germany being attacked, the aggressor must engage the forces of as many allies as possible at the earliest possible moment. This is the doctrine of forward defence and the multi-national presence of the forces. The country is too narrow to allow for in-depth manoeuvring or, in the jargon phrase, "trading territory for time." The aim is to establish from the start that, in the words of the Nato treaty, an attack against one member "shall be considered an attack against them all," and to ensure this by having forces from as many as possible stationed on West German soil. For the rest of the alliance, this doctrine is the price of keeping West Germany within Nato.

It is difficult to imagine any West German Government, wishing to stay in the alliance, pursuing any other policy. The alternative to forward defence and the multinational presence is to make West Germany a buffer state. The change over the past few years has been that the country has played its own role with greater conviction and greater credibility. The improvements in the Bundeswehr are some compensation for the dropping of the guard by other European Nato members.

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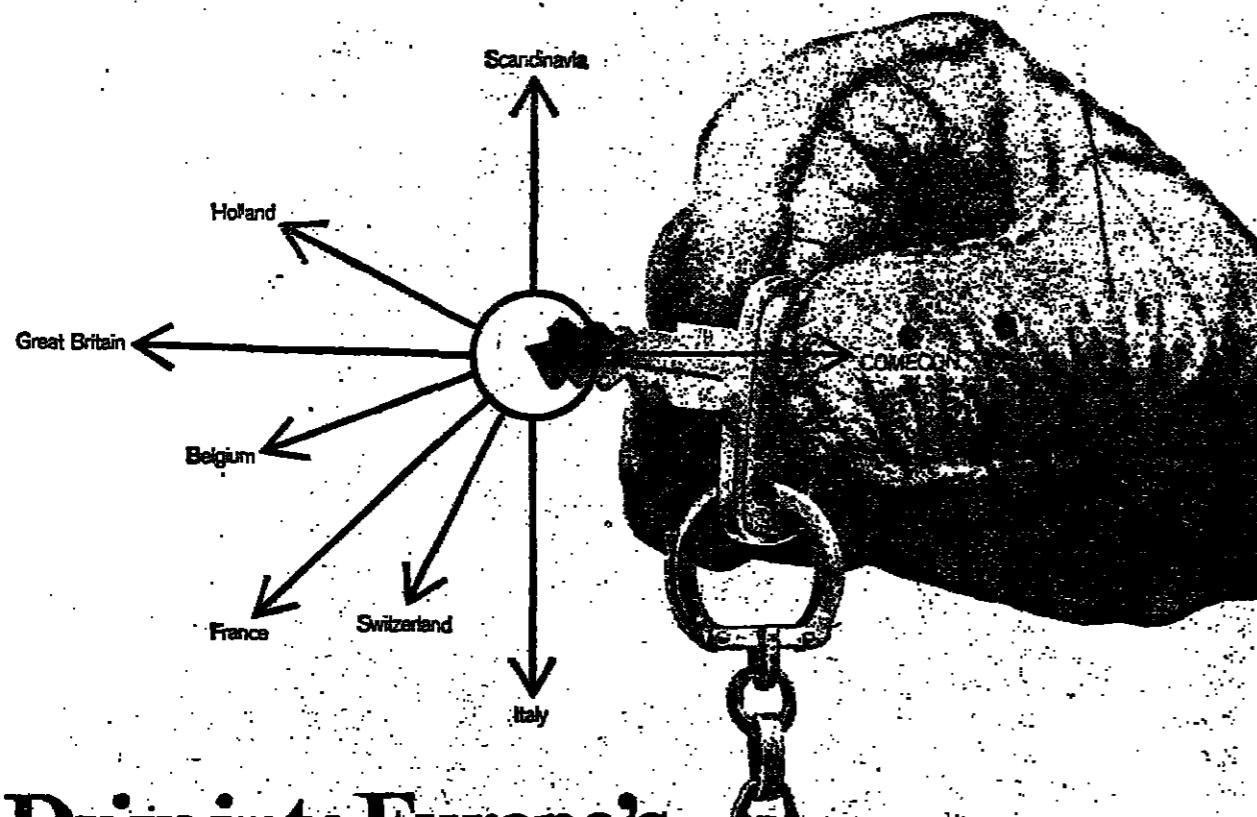
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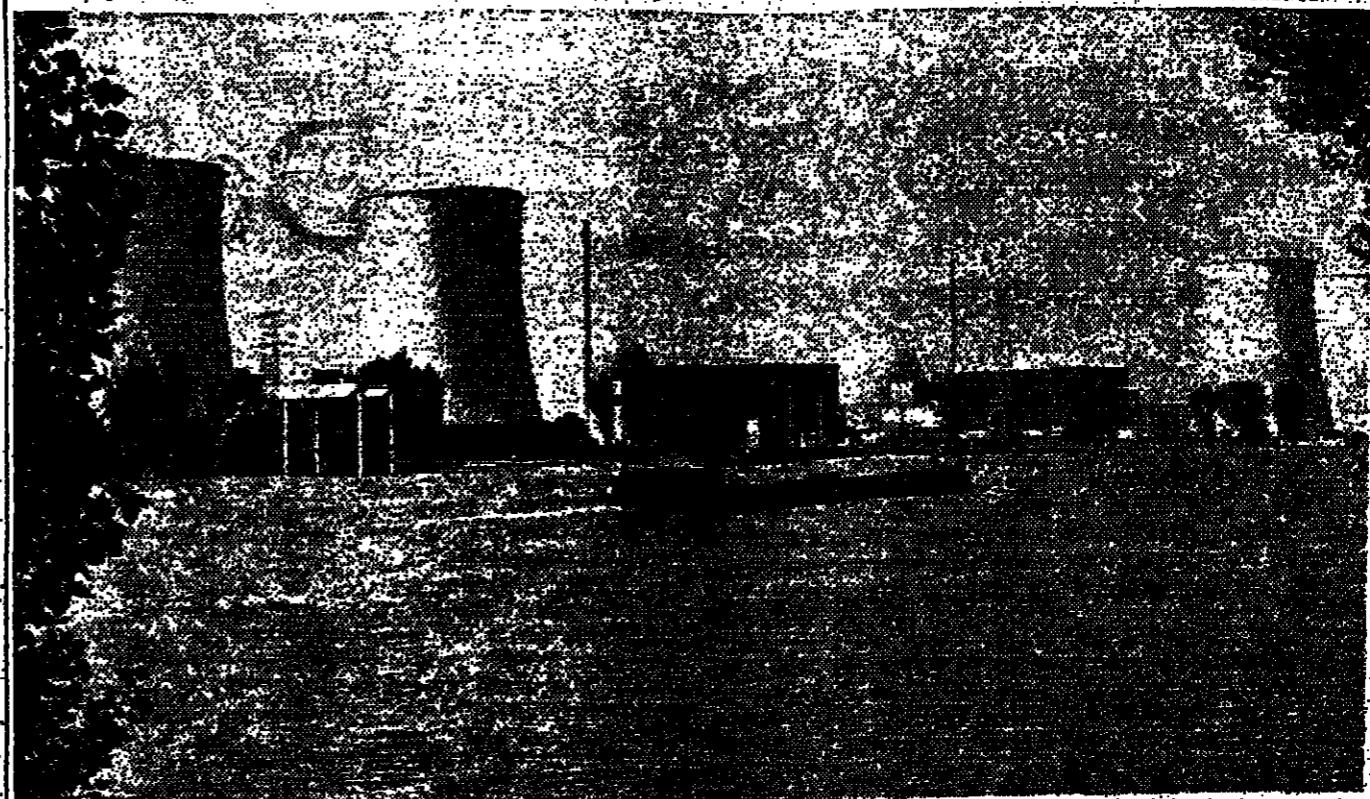
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*John G. S.*



RWE's 1,200 MW nuclear station Biblis A, which has achieved 80 per cent availability since the utility accepted it from its contractor, Kraftwerk Union, early this year.

One of the strongest nuclear industries in the world is developing in the Federal Republic. It is characterised by solid engineering achievement and exceptional levels of reliability and performance.

## Nuclear energy

THE EXPANSIVE West German nuclear industry two years ago. What kind of company is that? This is that much more technical expertise is attributed to nuclear power than the nuclear industry fair in Basle, want they asked the Austrians. required among the politicians. His figures for Biblis A's last week characterised splendidly the German approach to German safety—but German public that the Government has that quality assurance safety will cost you \$4m. more nuclear safety well under construction. They are confident that design is currently acceptable in the U.S. Boveri, a particularly articulate engineer, sometimes many tons would not be acceptable to the and engaging nuclear engineer of the nuclear steam system (NSSL).

### Plants

At the heart of the nuclear industry stands the nuclear power Union, design building complete power as well as NSSS, with associated companies, (fuel assemblies), (plutonium fuel), (dilution tubes for fuel), (sodium-cooled fast reactors) and GHT (high-temperature reactors). The group venture by Siemens and Telefunken, has DM20bn of orders in hand, half of which have been received from alone. The 7.5 per cent tax rebate on utilities this summer placed their order before 30 brought KWU a further 15 unselected "outages" at year end. The lost capacity had occurred on being signed on June 22 the conventional, not the company admits from the nuclear side of the station. Of it can expect no more than a total of 31 load reductions and orders now for perhaps 15 unselected "outages" at year end. KWU, with manifolds, **CONTINUED ON NEXT PAGE**

### Support

Even so, a decision other nations might well reflect upon seriously the joke which arose when they were bidding for senior German nuclear technology, he said, was not attain only after several years of patient "debugging". What is more, said Dr. Mandel, most of the lost capacity had occurred on being signed on June 22 the conventional, not the company admits from the nuclear side of the station. Of it can expect no more than a total of 31 load reductions and orders now for perhaps 15 unselected "outages" at year end. KWU, with manifolds,

**The last few years have seen a swift expansion in German investment overseas, brought about largely to counter the rising cost of industrial production within Germany itself.**

## Foreign investment

ONE OF the disadvantages of being on the losing side in two world wars is that it tends to play havoc with one's investments. Germany's leading industrial concerns have twice been stripped of the bulk of their overseas assets and this appears, understandably, to have engendered a cautious approach to setting up shop in foreign countries.

While foreign competitors have been busily buying into and establishing operations in their main markets, West German industry has held back. This reticence is not just a matter of "once bitten, twice shy," although this undoubtedly plays a part. The main reason is that in the 1950s and 1960s, West Germany was too deeply engaged in building up its own industry to devote precious resources to overseas investment.

At the end of last year the cumulative value of West German investment overseas since 1952—not including portfolio investment—totaled DM36.8bn. At the same time, foreign investment in West Germany rose to DM47.5bn. Indeed, during the first three years of the decade, according to the Bundesbank, foreign investment in West Germany soared by 45 per cent. But although West German investment overseas is small by the standards of Britain and America, its expansion rate over the past few years has been relatively high. Of the DM36.8bn total, DM12.95bn, or 35.3 per cent, was invested between 1972 and 1974.

Net West German investment longer expect the growth rates the table are Italy and France, which they enjoyed in the late with Britain faces relatively DM1.45bn and DM1.65bn and early 1970s and that while Britain faces relatively DM2.82bn. But this soared its production capacity, given with only DM1.09bn. proper restructuring and re-equipment where necessary, will largely be adequate for foreseeable future demand. Capital investment in plant is likely to be curbed both at home and abroad.

This is likely to be the policy of many West German concerns this year. As a result, investment programmes, both at home and overseas, are likely to suffer. The overseas investment rate, which in normal conditions could be expected to grow substantially looks as though it will fall back noticeably. However, high domestic production costs are likely to remain a powerful impetus for investments overseas.

The lion's share of West Germany's foreign investment is concentrated in Europe, particularly in the European Economic Community. According to 1974 statistics, a breakdown of countries where German concerns have invested more than DM1bn. shows France at the head of the league table of investment in the West German chemical industry, overseas DM3.85bn. Switzerland follows close on France's heels. Here, West Germany's investments were DM2.35bn, while Belgium and Luxembourg were worth DM2.37bn. At the end of the last year and alone they grew by 24.9 per cent. This should also see a rapid growth.

**Guy H.  
Frankfurt Correspondent**



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## WEST GERMANY VIII

Trade with the Communist countries has attained

a vital position in West Germany's overall foreign commerce.

Her exports to the area last year were up 21.8 per cent., while imports fell slightly. A long-term view is taken of this trade expansion and China could be the next growth market.

## Trade with the East

LONG-TIME OBSERVERS of German-West Germany's Osthandel say the recipe for its astonishing success in recent years is quite simple: take the same ingredients that have made West Germany the world's second-ranking trader and use them in commerce with Communist countries.

As a result West Germany has forged past the early post-war leader in trade with the East. Britain, then Japan and the United States. Last year, West Germany conducted DM30.3bn. worth of trade with all Communist countries. For the first time since the war this was nearly as much as total West German-United States trade.

As was true in 1974, the expansion this year in West German trade with the East is based largely on the soaring level of West German exports to the area. They were 21.8 per cent. higher than last year, while imports were down 1.5 per cent. from "State Trading Countries" as the Communist countries are called in West German trading parlance.

### Soviet

The most interesting results are those on West Germany's trade with the Soviet Union, its largest Communist market. In the first seven months of the year, West German exports were up 74.8 per cent. while imports fell 12 per cent.

Dr. Hans Friderichs, Economics Minister, predicts total trade between the Soviet Union and his country will reach DM10bn. this year compared with just over DM8bn. last year. Since the signing of the West

Soviet normalisation treaty in August 1970, trade between the two countries has leapt by some 300 per cent. In lagging reflection of "political" development some West German industrialists say is a new market being tapped by between Bonn and Warsaw.

Trade went up 160 per cent. to the equivalent of DM5.3bn. An agreement recently

French-Soviet trade by 128 per cent. to DM3.2bn. and Soviet-U.K. trade by 38.3 per cent. to DM3bn.

West Germany's second rank

commercial partner in the east is the German Democratic Republic, until last year the Comecon leader in trade with the West Germans. The customs-free, barter-type exchange of products between the two

Germanys should amount to well over DM7bn. by the end of this year after rising some 12 per cent. in the first six months.

Critical remarks made by Herr. Erich Honecker, the GDR's party leader, earlier this month to his Central Committee indicate mounting pressure on GDR industry to "quickly adapt" to the "real demands" of Western markets.

This and his urgent appeal to modernise production could give an added impulse to trade with West Germany and other Western countries. West German industrial prowess has a formidable reputation in the GDR for, as one East German technical director explains:

"West German companies offer us a full range of products so that we scarcely have to shop around."

In all the other Comecon states, West Germany is the most important Western trading partner and, in the case of Poland, the largest foreign supplier after the Soviet Union. For the first time in many years, West German exports to Poland last year amounted to DM1.6bn. both ways small

to Poland so far this year have fallen compared with the volume

### Results

The West German approach to China is typical of the very long range view German industry has taken in its Eastern trade. At the heart of this approach lies the cultivation of a market, even if the short-term results are not over-encouraging.

"State trading organisations

no matter whether in Eastern Europe or China, are not interested in Western salesmen who drop out of sight for lack of quick results to show at headquarters," notes a West German steelmaker with years of experience dealing with Eastern trading officials.

"It takes solid backing from the home office and faith in their man out there in Irkutsk to get to the point where the company is signing large and profitable deals."

German manufacturers who have just been in Peking for the West German industrial exhibition there say it is an investment that may not begin to pay off on a big scale for many years. West Germany's China trade last year amounted to DM1.6bn. both ways small

Leslie Colli

Berlin Correspondent

While the railways and postal services seem fairly efficient, both have turned in huge losses recently and face immense structural problems.

## Rail and post

IT MAY come as a surprise—were put forward a few years ago for the building of more and possibly a comfort—to go for the building of more critics of British Rail and the then 800-kilometre of new Post Office to learn that in West track up to 1985 at a cost of Germany the problems of both 1972 prices) of DM11.2bn. It equivalent services are no less was felt that faster and more serious and the road to solutions comfortable services would just as strewed with pitfalls.

The visitor to West Germany is usually impressed by the ability of the trains to keep to time, by the speed with which letters are delivered and by the ease in self-dialling any telephone number in the country from any other. He may originally estimated that in 1973 and 1974 it would require a string of rail accidents earlier this year, which shocked the world to work on the preparation and completion of new measures. But in general his impressions are likely to be favourable—and that is a fair, albeit partial, view. Not readily evident are the huge losses sustained by the railways and post office—the two largest enterprises in the country—nor the structural problems which often seem to bring those responsible for finding a way out close to despair.

Had the Bundesbahn been a private enterprise whose main object was to remain in the black, then, clearly its strategy would have been very different. But with the Federal Government as its owner, it has to provide a range of services which simply cannot be made to pay, but which it is considered socially impossible to give up.

The explanation is that the practical difficulties in the planning phase were much greater than expected, and that legal problems also proved more complex. Had the Bundesbahn been a private enterprise whose main object was to remain in the black, then, clearly its strategy would have been very different. But with the Federal Government as its owner, it has to provide a range of services which simply cannot be made to pay, but which it is considered socially impossible to give up.

For example, the Bundesbahn finds it hard to cover more than 30 per cent of costs on some local passenger lines because of the massive investment in

personnel and materials needed to cope with demand at peak commuter hours. Again, rail services in outlying and border areas have to be maintained for the few who use them. Further, the Bundesbahn has to accept small freight items for local transport, even if the cost of handling and despatch far exceeds any freight charge which can reasonably be set.

How did the railways manage to get into this position? The origin of the difficulties lies in the division of Germany after the Second World War, which meant that former north-south lines which used to cross the main routes to and from Berlin had to become primary arteries in the Federal Republic. Public money was poured into expansion of the road and inland waterway systems, but for many years the railways had to rebuild through their own resources. With funds tight, the emphasis lay on replacing what war had destroyed instead of replanning the whole rail system to cope with modern conditions.

So to-day many stretches of track are heavily overburdened while others are under-used.

These inherent disadvantages, of course, have been recognised by the Government which supplements the Bundesbahn's internal revenue accordingly.

Between 1960 and 1975, in federal funds of DM68.4bn. in the enterprise. The figure increased from DM3.9bn. in 1970 to 250,000 employees (against 28,000 at present) and

DM9.8bn. this year—but it has not prevented the Bundesbahn's deficit—albeit one which would be far less of a burden on the Federal budget. This is one model for the future.

One model for the future suggests that a Bundesbahn network of only 15,000 kilometres (against 28,000 at present) and 400,000 employees (against 250,000) would still be making a deficit—albeit one which would be far less of a burden on the Federal budget. This is one model which is necessarily the model while

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## WEST GERMANY IX

The ban on recruiting further foreign workers to man the economy is unlikely to be lifted in the near future. Despite the recession surprisingly few migrant workers have left for home. There is little drive among Germans to compete for their menial jobs.

# Migrant workers

VERNMENT is nearing the reduction in migrant workers of a "grand stock workers has been, despite the problem of ban on recruitment and similar workers in West Germany, the existence of the exercise worst recession in post-war forth a stream of history. In the first year after figures and the ban, the number of workers as on how to cope with problems involving—and of this total well over 50,000 were Italians. Covered and their families by EEC rules they went home here. But one thing knowing they could always enter. It will not be the Federal Republic again end to the exist freely if times became better. The number of Turks, on the other hand, dropped by only about 10,000. Most know that in was imposed in 1973, amid the energy caused by the energy

## Social

The second conclusion one might draw from the figures is that the threat to social peace must be substantial. Here there are rather more than 2m. foreign workers in a country which has more than 1m. unemployed and close to another 1m. on short-time work. Beyond that political relations between the home countries of some of the migrant worker groups are hardly of the best. One has only to think of the strained ties between Greece and Turkey to see that the close proximity of hundreds of thousands of workers from each country could prove an explosive mixture.

In fact the world has not happened. One can almost hear the sighs of relief from the Federal Labour Ministry in Bonn that so far there has been little friction. Certainly one hears individual grumblings to the effect that, were it not for the presence of the migrant worker, then more Germans would have a job. But it is noteworthy that up to now, not many Germans, even when they are unemployed, are anxious to take up the menial duties which have fallen to a substantial proportion of the foreign workers over the years. This could change if the recession continues. An unemployed person has the right to receive 68 per cent. of his former net income for the first year he is out of a job. After that, at best he can receive only 58 per cent—and that after a close official examination of the recipient's overall financial position. It again more and more often may be that acceptance of a less-attractive job may then appear preferable. But so far a record total of more than 1m. (or over 11 per cent. of the labour force) was this development is occurring.

The generous level of unemployment benefit is thus one major reason why so little friction has developed, not only among native West Germans but between the native population and their foreign "guests" are not available. Of that, the largest contingent by far are the Turks—590,000, followed by the Yugoslavs, then Italians 370,000, then Spaniards 225,000 and Spaniards of a job. A survey earlier this year showed that some 70 per cent. of these figures is how small less than six months and could, and the less they had

another quarter for between the six and 12 months. Only around 70,000 have been out of a job for more than a year. Thus, against DM8.5bn. in 1980. Of relatively few are jobless long enough to allow their plight went to Turkey. But as time passes, a new generation is growing which will compare against those foreigners who have been more fortunate.

All these figures do not, of course, include the number of foreign workers in West German school friends live. Many are illegal. Mention is often made of a total of between 200,000 and 300,000—but there is no firm way of knowing the truth. One fair pointer is that in 1973 and 1974 the authorities issued more than 25,000 warnings to employers for taking on foreign workers illegally, and more than 6,000 employers were fined. Under measures passed three years ago, jail sentences as well as fines can be imposed in serious cases.

At present it seems likely that the recession itself, rather than the existence of penalties, may be cutting the number of those employed illegally. For example, more than one-half of all foreign workers are employed in industry, particularly in metal working, and one-fifth in the construction sector. It would hardly seem to make sense for employers to be running the gauntlet of official sanction by employing foreigners without permits when there is insufficient work for those who are quite legally seeking a job. The informed guess is that many foreign workers who had jobs illegally have lost them, but far from leaving the country are staying on—generally in deplorable conditions, sometimes with friends—in the hope that things will eventually pick up.

## Conditions

The question of conditions forms part of a much wider problem. Initially a migrant worker obtains a work permit only if no West German is available for the job. This restriction disappears either after he has been working continuously in Germany for five years or has married a West German. (Again, Italians as EEC citizens are excluded from this regulation.) There is thus a substantial number of foreign workers who have been in the Federal Republic for a long time, who are in the job market just like any other citizen and who show no disposition to leave. They often have their families with them and they tend to live in what Western Europeans would describe as ghetto conditions. When these migrant workers first arrived they tended to club together in any case—and even very poor surroundings by West German standards were "better than those they had known at home.

J.C.

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Vaerst will propose. He postal services are clearly much smaller. However, exactly by the end of the year—because of that, the Bundespost they are going to match has received only minor Fedex problem they will have to subsidies—and indeed long had to pay a proportion of its operating receipts to the annual turnover of Government. With an insufficient capital bn. and some 520,000 employees) is in a stronger case and a vigorous investment than the Bundespost programme (DM8.1bn. last year it has a monopoly year), the Bundespost has had spheres of its activity to finance much of its growth is the letter and telephone with expensive, borrowed funds, while the Bundesbahn. The upshot is that in this year fight competition for it will have a grand, accurate and freight transport. latest deficit of DM4.1bn., it will be another, the operational be paying out DM6.9bn. for political burdens of the debt servicing—and it will be

running up new indebtedness to the time of DM3.1bn.

One way to improve the position, of course, is to raise charges. This has been done in 1971, 1972 and most recently in July, 1974 when the cost of an inland letter was raised to 50 pfennigs from 40, the fee for installation of a telephone rose to DM200 from DM120 and the monthly rental charge went up to DM32 from DM28. The latter increases meant that in 1974 the Bundespost was able to realise an increase in earnings of 12 per cent. although services delivered went up by only 1.9 per cent.

## System

No more increases are expected in the near future. But already it is known that from 1977 a system is gradually going to be introduced under which those who make a local phone call of more than four minutes will have to pay for the extra time. Little wonder that, according to an opinion poll earlier this year, the number of West Germans who feel their postal system is either "excellent" or "good" has sunk since 1959 from an impressive 85 per cent. to 52 per cent.

Still, it would be unwise to expect too much. Experts from both Bundesbahn and Bundespost have appeared before, armed with plans which could help the enterprises pay their way. They have been cut down to size by politicians who recognise that people have got used to the services both provide and are not prepared to give them up. The losses may be reduced, but the books are not likely to be balanced in the long run.

J.C.

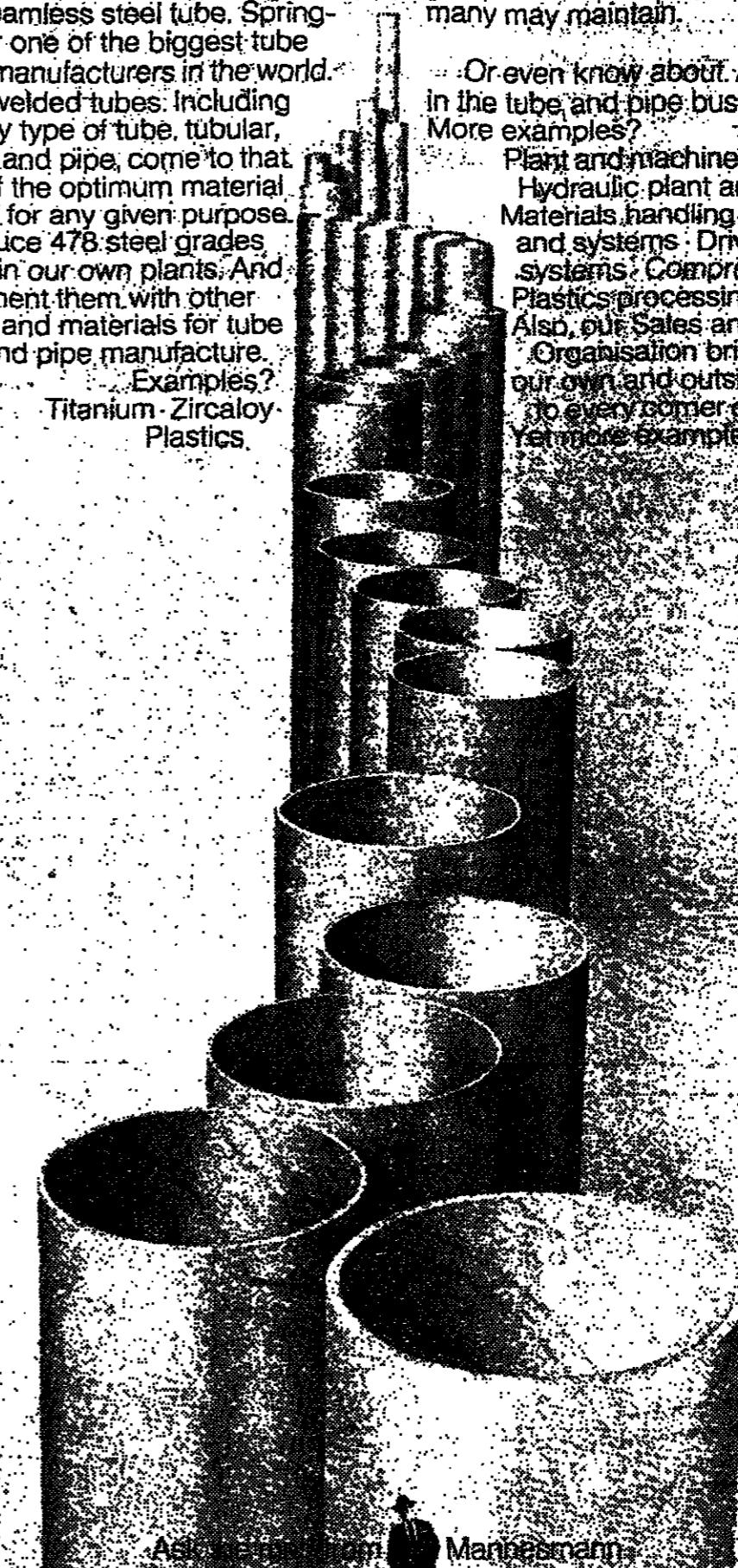
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Carl Schenck

WEST GERMANY

The short-term outlook for the electrical industry is bleak, though the underlying financial picture is still strong. Although the German shipping fleet is efficient, it carries a very small proportion of the country's trade and trading conditions are difficult.

## Electricals

AN EXTRAORDINARY state of organisational flux sets the electrical engineering and electronics industry apart from the general uncertainty currently affecting the whole of West German business. Both the consumer and capital goods sectors have been hard hit by the international recession; with an export ratio of almost 39 per cent the industry needs more than just a domestic refraction to set it back on its feet.

The short-term outlook continues to be bleak, with the nominal rise in order intake during the second quarter of 18 per cent (plus 27 per cent at home, minus 5 per cent in export orders) falling back to 13 per cent between May and July (plus 21 per cent at home, minus almost 9 per cent on the export side). The hard-hit data processing industry is faring even worse: minus 5.5 per cent in the second quarter, but down by 9.5 per cent between May and July, including a 23 per cent fall in export orders and a drop of almost 6 per cent at present.

In spite of Osram's losses, AEG's stake is much more in demand, as shown by the interest of both U.S. General Electric and Siemens (the other two current shareholders).

Siemens, as usual, provides the shiny side of the industry's earnings picture. Dr. Bernhard Plettner, President and Chief Executive, is continuing to narrow the profits gap with its seven major world competitors (though, as argued in the Financial Times on September 16, the gap is smaller than the company claims in public). But there are problems. Apart from the KWW/Osram complex, telecommunications and data processing are Siemens' main headaches, in terms of both current business conditions and organisational structure.

Telecommunications was Siemens' greatest single growth sector between 1970 and 1974; its share of total group sales increased to a quarter and its estimated profits contribution to over 35 per cent. This was mainly thanks to growing business and good prices from its main customer, the Deutsche Bundespost. But after a series of increases in telephone charges which dampened subscriber demand, Bundespost orders to its suppliers were slashed from almost 2m. lines to 1.2m., throwing many workers onto short time and some onto the redundancy lists.

There is now a lively debate between the Bundespost and its suppliers, the former saying that the days of rapid telephone growth are over, the latter claiming that there is still plenty of scope if the Bundespost will only fully exploit the market potential.

The cuts had a double effect on Siemens and SEL, the ITT subsidiary which is also a major German supplier. Not only are there very few new markets outside Germany which are prepared to install the exchange designs bought by the Bundespost, but almost every other telecommunications manufacturer country has experienced some sort of cutback, so that competition on the international markets is more intense than ever, with an inevitable depressive effect on prices.

In organisational terms, the problem in telecommunications is one of forming a string of alliances with foreign companies outside Germany in order to give Siemens' new computer-controlled exchange designs a chance of breaking into world markets. Short-term liaisons

have been forged in the last few months with Plessey in Australia and SAT in France.

In data processing, the quest is now for a long-term partner following the collapse of Uni-Siemens' case, it is part of a company which has a stronger marketing position outside Germany.

This need was admitted two months ago by Olympia's top management. But it played down suggestions that AEG might want to sell it. Now that AEG has a new supervisory board chairman, Herr Juergen Ponto, head of Dresdner Bank, who has been examining the troubled group's future structure, Olympia is an obvious candidate for sale because of its relative independence from the rest of the group, but whether it would fetch a worthwhile price must be questionable at present.

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### Losses

Siemens' data processing losses in the fiscal year which ended at the beginning of this month were only slightly below the previous year's DM200m. making this (followed by Osram) the main candidate for surgery in the group's quest to increase profitability. Tighter cost control and better management right through the group, together with a fall in the investment burden, have already given it a far better profit margin than in the last—and less severe—recession of 1971, but the real test of a lasting improvement is still to come, since its return on capital employed has only just recovered to the level of 1968/69. (These issues

Christopher L.



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A fall in demand has led to a decline in profits, but the worst may now be over and long-term prospects for growth worldwide are good.

HEMICALS industry has, nessed its chemical industry 1974, while BASF parent's turnover dropped by 17.6 per cent. Germany with a firm. Recent results by the some DM530m ahead German "big three" chemical electrical and mechanical engineering industries. Its Hoechst serve to illustrate the severity of the international recession. According to a European Chemical News survey, the German companies started 1975 in a bad way: plummeting levels of production and exports during the last months of 1974 led to an 0.8 per cent. fall in volume production for the year. During 1974 some 200 companies in the industry went bankrupt, or were taken over by larger groups; by December 25,000 people were working on short-time and 18,000 had lost their jobs altogether.

### Overseas

The industry then wondered whether it could even sustain the level of production in 1975; particularly in view of the fact that West Germany expects to export some 45 per cent. of its chemicals output. Fears that overseas markets were falling flat were well founded. The "big three" all reported big drops in exports in the first six months of this year: Bayer — hardest hit of the trio — reported that overseas turnover had dropped by 21.1 per cent. compared with the first half of 1974. Hoechst disclosed a drop of 19.6 per cent.

When these exports are set alongside the drop in home consumption, it has been inevitable that the companies' turnover and profitability have suffered. Bayer A.G., the German parent company, saw its turnover fall by 17.9 per cent. in the first half of this year, as with countries throughout the world, has risen against the same period in

to the cost of individual sums on environmental protection schemes. Nevertheless, the ton — BASF's new effluent treatment plant at Ludwigshafen alone cost DM456m—but there have been considerable delays to the commissioning of new manufacturing units.

The fact that a higher proportion of the money will be spent overseas in future is due to a number of factors. First, exports—upon which the companies' fortunes are heavily reliant—are vulnerable to currency fluctuations which have become so common in recent years. Second, a slump in this big export market can rebound badly on capacity and employees at home, as Germany has seen this year.

Thirdly, the very high wage levels in Germany have been something of a constraint, both in terms of plant development and operation.

### Regulatory

Fourthly, like companies in a number of other countries, the German groups are being increasingly frustrated by the tightening grip of regulatory controls (and those achieved by political and public pressure) in the pricing area, for example, pharmaceutical companies, in particular, have been having trouble in raising prices to meet research, development and manufacturing costs. This is important to both the domestic and export markets as international drug prices are largely influenced by the levels adopted by the home country. And Germany is one of the world's largest exporters of pharmaceuticals; if not the biggest.

Another regulatory frustration is felt in the broad environmental area. Pollution controls have already had a restrictive effect on the chemical industry's development. Not only have companies reassessed at least some of these projects; inflation has added millions of D-marks to the cost of individual sums on environmental protection schemes. Nevertheless, the ton — BASF's new effluent treatment plant at Ludwigshafen alone cost DM456m—but there have been considerable delays to the commissioning of new manufacturing units.

advantage. Not surprisingly, in the country. Now there are was a point taken up by Professor Matthias Seefelder earlier this year. Speaking in his capacity as a member of the presidium of the German Chemical Industries Association, he pointed out that other European countries such as Britain, France and Switzerland were still "several lengths ahead" of the Germans in the field of foreign investment. Comparison with American investment in West Germany in the past ten years indicated the scope for overseas spending.

Professor Seefelder emphasised that investment abroad had nothing to do with the export of work places. "What we are dealing with here is a sensible expansion and ultimately a stabilisation of export-oriented home production." So the German chemical industry which has established such a formidable domestic and export reputation is now entering a new era of internationalism.

Ray Dafter

## aerospace

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the U.K. and France on the promotion of the future development of the existing major consortium working on the MRCA medium-range 170-200 seat Panavia on the airframe side that Europe could build in 1980 in order to meet the competition from the U.S. British Aircraft Corporation such as Boeing with its and McDonnell Douglas Aeritalia of Italy with 15 per cent. and Turbo-Union (which is comprised of Motorail and Turbina-Union München and Rolls-Royce, each with 40 per cent.) and Fiat of Italy with 20 per cent. It is argued that, no matter what happens with MRCA (whether, for example, the existing plan to build more than 800 aircraft is cut back or the programme spread out because of financial stringencies in the participating countries) there will continue to be a need for new military aircraft in Europe reaching to the end of this century and beyond, and that Panavia and Turbo-Union, perhaps suitably widened to include French, Dutch and Belgian representation, could provide the ideal basis upon which to build.

One argument that strongly supports this thesis is that had a lightweight combat aircraft been available in Western Europe on a collaborative basis, there would probably have been no "competition" to find a Starfighter replacement, and the four Nato nations involved, Belgium, Holland, Denmark and Norway, would not have bought the U.S. variety of jet airliners for a variety of range-payload General Dynamics F-16. Whichever these developments eventually occur, there is a move to try to marry, on the military front, what has been seen, but at this stage it is increasingly apparent that there is a move to try to

that while the West German industry is wholly in favour of the creation of a wider European aerospace industry, and wants a substantial share in that development, it is not enamoured of grandiose schemes for the creation of new consortia to build new civil and military aeroplanes when adequate existing groups and designs are available for exploitation and adaptation.

In the meantime, the West German industry continues quietly to get on with the various programmes it has. The Airbus itself is slowly winning sales, the most recent being the prestigious South African and Korean Airlines' orders, won in the face of competition from all three of U.S. "wide-bodies" — the Boeing 747SP, Lockheed TriStar and McDonnell Douglas DC-10. The VFW-614 short-haul feeder-liner has already logged its first sales, and seems likely over the years to find a company to take it in aviation market where many in aviation see the bulk of future air transport demand emerging.

Dornier, in addition to its share of the Alpha-Jet programme with Dassault-Breguet of France, building the Do-28

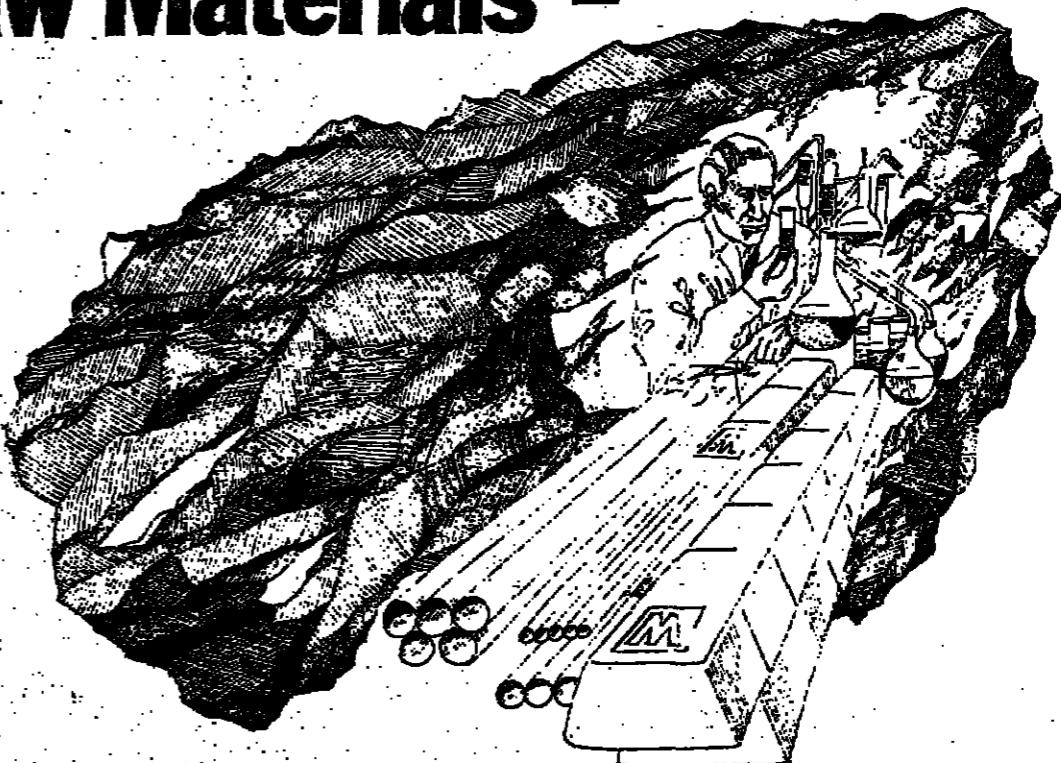
Skyservant Short Take-Off and Landing utility transport MBB, in addition to its shares in the development of the ESA's

Ariane rocket launcher.

Michael Donne

Aerospace Correspondent

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23. 1. - 1. 2. International Green Week Berlin 1976  
28. 2. - 7. 3. 10th International Tourism Exchange (ITB) Berlin 1976 Boat, Sports and Recreation Exhibition (BSF) Berlin  
4. 4. - 7. 4. 15th INTERCHIC Berlin — the Fashion Fair  
31. 5. - 8. 6. Multiserv 76 Berlin Trade Fair for Food Service and Catering  
25. 8. - 29. 8. 14th Overseas Import Fair "Partner for Progress"  
18. 9. - 26. 9. German Industries Exhibition Berlin 1976

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In spite of the recession the German banks look set for a good year, though their wide-ranging powers are under question. Criticisms have also been made of the Bundesbank's generally cautious monetary policy.

WHILE WEST German companies are faced with the worst slump in their business since the war, the German banking industry looks set to achieve at least a repeat of the vintage year of 1974 and to do without enduring the traumas that 1974 brought with it. Bank profits generally tend to benefit when money market rates are falling, for under these conditions the interest margin tends to be stretched rather than squeezed, and rates were moving down over the first half of this year. So while the volume of credit extended by the "big three" banks fell marginally between the beginning of the year and June 30, Deutsche Bank was able to maintain its half year interest earnings at DM814m.. Dresdner Bank was able to increase its interest earnings by 20 per cent. to DM620m., while Commerzbank recorded a rise of 11.7 per cent. to DM472m. At the same time service income continued to climb because of a revival in stock market and underwriting business—the latter bolstered importantly by public sector borrowing.

big banks are powerful, it is because they played such a vital part in the post-war reconstruction of West German industry and because they remain so very engaged in industry today. They are one of the driving forces behind Germany's export success and remain by far the largest purveyor of capital to industry. The Bundesbank figures for 1974 show that industry's liabilities to share holders total DM76bn. and to bondholders DM30.5bn., while from the banks they have borrowed DM161bn. in short-term funds and DM239bn. in long-term money. Those who know the true role of the German banks will not have been surprised to hear talk of a giant consortium operation to lend the Government the DM10bn. that it still needs to finance its budget deficit this year.

The association of German banks reacted sharply to the criticism of the "five wise men," saying that interest rates had come down markedly and that banks were so anxious to make loans that they were tending to compromise their own

So precisely at the moment when the calls for bank competition could have been loudest—the Bundesbank itself had noted wistfully that there was suspicious restraint in the downward move of interest rates—there was a new awareness of the risks of banking and a new determination to minimise them. The roster of official measures that followed Herstatt had three main aims, to remove excessive currency speculation as a cause of bank failure, to improve the protection of bank creditors in the event of a bank collapse and to limit the riskiness of a bank's business chiefly by restricting its involvement in large loans.

Since October 1974, the Bundesbank has insisted that a bank's uncovered position in the forward exchange market—that is the amount of any currency

it has promised to deliver in the future less than which it has "large credits" (Defined as loans larger than 15 per cent. not exceed 30 per cent of the bank's share capital plus reserves. In addition the bank must notify the Banking Supervisory Board monthly of its forward exchange commitments. The most important post-Herstatt improvement has yet to emerge in its final form. It is a revision of credit law designed to make the operations of a bank more transparent to the supervisory authorities, and to limit the credit risks in-

to the proposed restrictions on the banking system. (Defined as loans larger than 15 per cent of liable capital.) The current proposal is that the five largest banks should not be allowed to exceed three times liable capital, and that all large credits should not exceed six times that sum. Bankers argue that these rules will threaten the existence of many smaller banks and even result in temporary damage to the credit market as a scramble for alternative sources of finance is unleashed. It seems very likely that this part of the draft Bill involve themselves. The draft will be watered down before it goes to the vote.

During 1973, in happier times support for the clauses that for the German economy, the German Finance Minister set up a commission to look at the banking industry and to report greater ease than before, there in 1976 on whether changes in its structure were necessary.

The commission was told in particular to look at the peculiar powers that German banks have through their multiple functions as banks, merchant banks and stockbrokers and decide whether a division of these activities would be beneficial.

To-day the Finance Ministry is probably too preoccupied with the ramifications of the recession to be giving much thought to the niceties of banking influence. To shake up the banking industry at the moment would be to subject a suffering economy to a painful exercise in idealism. For while it is easy to make out a conceptual case against the great power of the large banks, it tends to wither when set against the raw facts of what these banks have achieved and are achieving.

play. And while it has not come and status—have come to any dramatic showdown this within the SPD and the year, there have been occasions union movement. The es when the Finance Ministry for of it is that the Bundes one felt the Bundesbank was policy is a key factor in erring on the side of caution, injning economic growth. It is worth looking at what level of employment and I happened the living standards of mi

The Bundesbank set itself a moderately more expansionist course by aiming at a growth of money supply of 8 per cent. in 1975 against 6 per cent. last year. From October last year it dropped discount rate seven times to 10 per cent. The SPD's economics spokesman, Dr. Herbert E

times, from 7 per cent. to the current level of 3.5 per cent. while Lombard rate was cut over the same period from 9 per cent. to 4.5 per cent. spokesman, Dr. Herbert E. Berg, put a similar, sophisticated case last year. said the Bundesbank's have considerable, but absolute, independence.

It reduced minimum reserve absolute, independence requirements—the sum credit

# Banking

# The Bundesbank

THE BUNDES BANK is in Frankfurt and the Federal Government is in Bonn. Between them lies a two-hour train journey. Not far—but enough to emphasise that the Bundesbank is an independent body which may act as a check on Bonn as well as a support to it.

The balance between the two has always been a delicate one. A kind of central bank was on the scene even before the Federal Republic formally came into existence. This was the Bank Deutscher Länder, formed in 1948 as the country began to struggle out of postwar chaos. It developed as a respected and effective institution through the early years of the *Wirtschaftsrunder*. And when the Bundesbank succeeded it in 1957, there was little disposition to place the new body any more under the thumbs of politicians than its predecessor had been.

The 1957 Central Bank Act made this basic independence abundantly clear. The Bundes-

bank president is elected by the Government—but for a period of eight years which means he survives general elections. The present incumbent, Dr. Karl Klasen, ends his term at the end of 1977. A general election is due next October.

Further, the presidents of the Länder banks, 11 in all, have a majority on the Bundesbank council. And although Government ministers may attend council meetings, they have no vote. The most they can do is to delay a council decision for two weeks. Bundesbank leaders are invited to attend cabinet sessions when monetary policy is to be discussed—and they are also present at gatherings such as "concerted action"—periodic meetings of Government, trade union and employer representatives.

Although the Bundesbank's independent position thus looks strong enough, some provisions of the Central Bank Act left scope for squabbling. Two of the key articles are worth quoting in full.

Article three says: "The Deutsche Bundesbank shall regulate the volume of money in circulation and of credit supplied to the economy, using the monetary powers conferred upon it by this act, with the aim of safeguarding the currency, and shall make banking arrangements for domestic and international currency payments."

## Powers

Article 12 says "Subject to the discharge of its duties, the Deutsche Bundesbank shall be required to support the general economic policy of the Federal Government. In exercising the powers conferred on it by this act it shall be independent of instructions from the Federal Government."

The Bundesbank interprets all this as meaning that it is called upon to support Government

economic policy to the extent to which this is compatible with its duty of safeguarding the currency. It is partly sustained in this view by the Growth and Stability Law which emerged after the so-called "mini-recession" of 1966-67. Here price stability was enshrined as one of the key aims of the Federal Government—thus, to some extent binding Bonn more closely to the Bundesbank line. But a high level of employment and steady growth are also formal aims under the Act. The upshot is that the Government could argue it is fulfilling its commitment by pursuing growth while the Bundesbank could claim to be doing its duty in fighting inflation with tight money.

That is carrying the matter to an almost absurd extreme. But clearly there is scope for difference of opinion over when and by how much the Bundesbank armoury of monetary controls should be called into

institutions have to have a deposit interest free with the Bundesbank—and it increased the rediscount quota. When the bond market fell flat on its face as Federal and provincial governments sought to cover their unprecedentedly high deficits, the Bundesbank intervened with open-market operations to try, with limited success, to prevent interest rates drifting up again. The latter was a major problem—and seems likely to become still more of one next year when the public-sector deficit will be

Dr. Ehrenberg notes that the whole such question the independent role of Bundesbank has so awakened little response in the general public. And he somewhat bitterly that in many people seem more to believe in the wisdom and dependence of high monetary system.

There may be something in the charge. And the reaction of some trade unionists this is understandable. But the

All in all the Bundesbank produced an impressive total. The criticism tends to be that too little was done at an early stage. Surely, it is said, a shuffle towards relaxation was not the way to deal with a recession which brought minus economic growth and more than one million unemployed. It is fair to note that almost even bigger.

is understandable. But there are also many who feel that the practical gains in having a dependent body able to minister to think again weigh the disadvantages. occasional sharp clash between Frankfurt and Bonn. The is not unknown. In 1973 Klasen found himself in conflict with the then Economics and Finance Minister Dr

It is fair to note that almost everyone—including the Government and the independent financial experts—argue for a temporary

ernment and the independent economic institutes—at first underestimated the seriousness of the recession. If the Bundesbank was too conservative in relaxing the monetary brakes, then the Government, too, was initially cautious in its efforts arguments for a temporary sort to exchange controls to the cabinet. Dr. f found himself in a minority—and resigned.

Fortunately for Dr. and his men, they have a ally in the Liberal Free state (FDP) the junior

initially cautious in its efforts to blow life into the economy. And it is debatable whether a more adventurous policy by both from the outset could have brought very much more buoyancy to an economy whose biggest problem by far was a slump in foreign demand. At least it might have done so—but it might have paid the price with in-

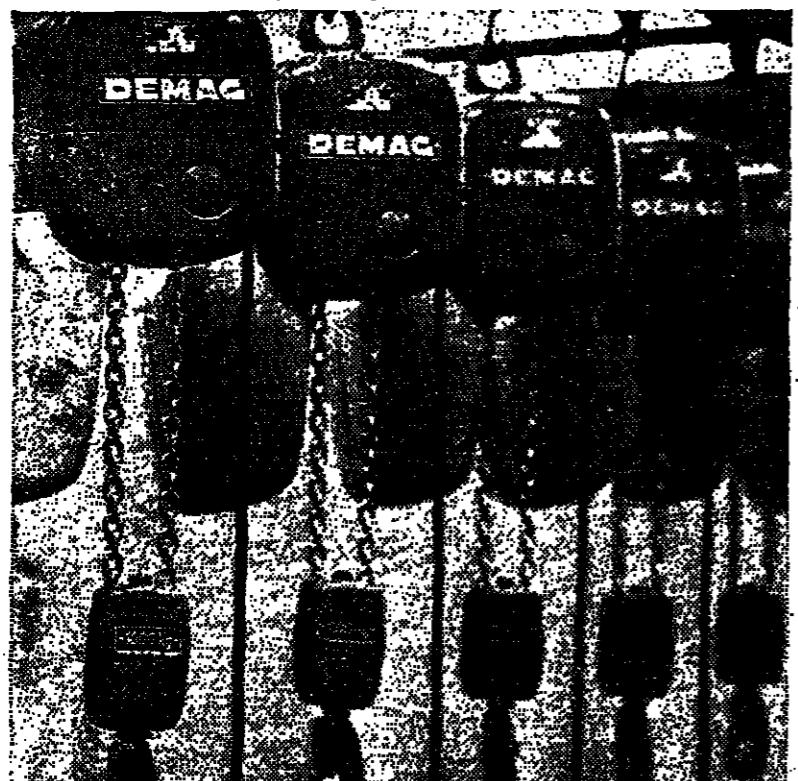
crats (FDP), the junior in the Bonn coalition. A couple of years ago the SPD-run Finance Ministry produced a draft of changes to the Bundesbank. The changes would have given the Central Bank more control over credit policy—but respects resort to them have been subject to approval of the Finance

creased inflation, which this year has hovered around the 6 per cent mark. The Bundesbank was simply not prepared to endanger the success already achieved in controlling inflation on a "great leap forward" in money supply and cheap credit. In fact the strongest criticism approval of the Finance Minister. The FDP Economist Herr Hans Fri promptly declared his position, his party support and the matter has been decided. There is no indication that the matter would take a different day.

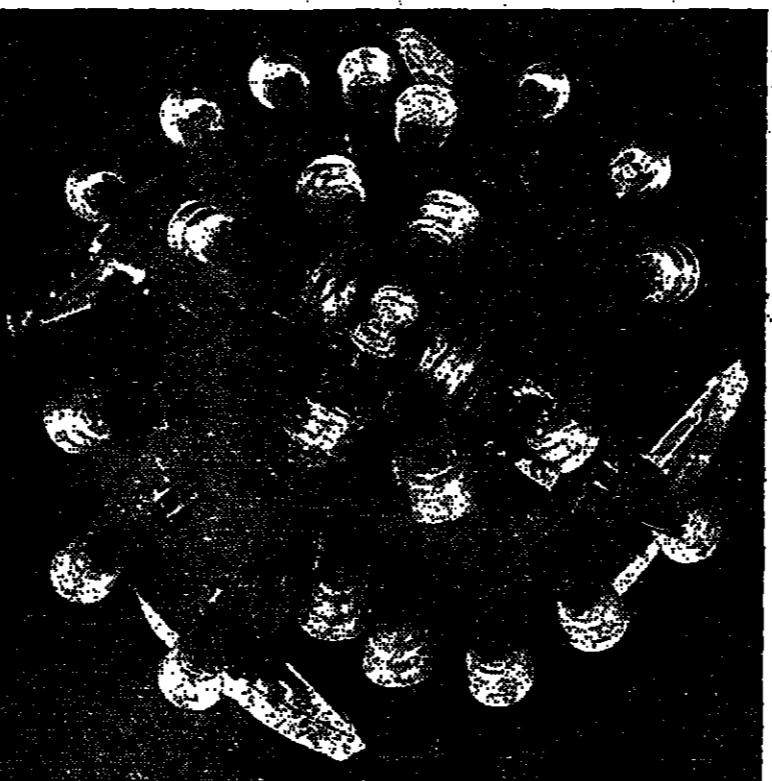
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# Demag technology for Great Britain

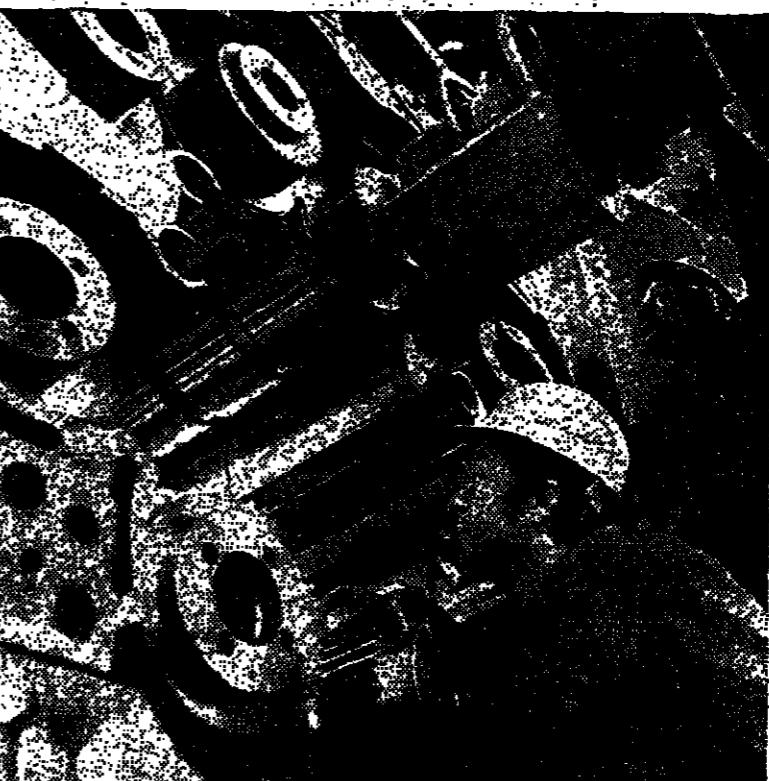
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Two neglected computer sectors are at last starting to receive the attention they merit, argue Roy Levine and Christopher Lorenz

# France's lead in data for the future

ONTH'S abandonment market in the Community last year at \$5.54 billion, units of account of which computer systems have already destroyed the market. Computer peripherals accounted for 57 per cent, users round the world peripherals 26 per cent, and that legal curb on its mini and micro-computers 9 per cent. It forecast a virtual market in five years. This not only enlarges the market for such products as printers, tape drives, tapes, discs and visual display terminals, but also makes their procurement cost increasingly important to the suppliers of complete computer systems. In order to obtain the maximum possible economies of scale, ICL takes all its large discs from Control Data, whose production base was enlarged still further earlier this year by the establishment of a joint venture with Honeywell, one of ICL's main competitors in the open market. It was as much as 48 per cent in mini and micro-computer systems and 37 per cent in peripherals.

## Technology

These "ownership" figures hide the extent to which many of the "EEC producers" take their technology from the U.S. market, which has been most attracted to the U.S. government and the Commission giving more of their support — whether through financial aids or purchasing preference to the makers of minicomputers and peripherals, rather than simply concentrating on the prestigious mainframe sector, as both London and Brussels have done in their long preoccupation with the "American challenge."

The Commission, probably wisely, did not attempt to forecast a breakdown of the overall market in 1980. But there is no doubt that the growing complexity of computer installations, the coming of distributed processing (computers which "talk" to each other over long-distance telephone lines), and the rapidly falling cost of micro-electronic components will give minicomputers and peripherals a far greater relative weight than they have today. It is generally agreed in the

industry that the ratio of peripheral cost to the price of the total computer system has already risen to over 60 per cent from the 1960 level of about 40 per cent, and that figure of 80 per cent will be the norm within five years. This not only enlarges the market for such products as printers, tape drives, tapes, discs and visual display terminals, but also makes their procurement cost increasingly important to the suppliers of complete computer systems. In order to obtain the maximum



M. Michel d'Ornano, France's Industry Minister: he advocated the formation of "two or three poles . . . which would be of really international scale."

## Active

ICL, in which ICL has taken a stake, makes electro-mechanical peripherals such as printers and tape drives. ICL's \$22m. commitment (the initial payment is \$8.6m.) will eventually give it a one-third holding, and a U.K. subsidiary of CPI will set up research and development facilities in Britain, together with a factory. This could eventually form the basis of a strong British peripherals industry — albeit with considerable U.S. content — and ICL could also become involved in moves to combine Britain's resources in mini- and micro-computers, since it will increasingly have to move down market to compete with IBM and the other worldwide computer suppliers. But much of this is still in the hazy future.

The only European Government to have been active in this

ment's peripherals plan was Party to dispose of CII's mill-

ary and minicomputer which would commit themselves to targets on employment and sales in France, as well as being merged with Honeywell-Bull, and partly to state Thomson's anger and repair its prestige. The Government proposed that Thomson should become a major force in the minicomputer industry by heading a new group made up of CII-B and number of currently independent companies.

The vagueness of the proposal for "two or three" groups reflected several problems which emerged during the summer, the focus of the peripherals organisation will be on CGE-Transac, mainly concerned with terminal equipment, had sales last year of Frs. 800m., while SINTRA expects this year's turnover to be Frs. 200m. (though most of this is in military products rather than terminals). Since minicomputers are a component of some terminal systems, Transac will want to keep close ties with the Thomson-La Télemécanique group: it seems more interested in the CII-B Mitra series than

After a summer of rumour and behind-the-scenes wrangling over this strategy, the Government's "Peri-informatics Plan" (specifically including minicomputers) was announced by the Industry Minister, M. Michel d'Ornano, at the opening of an office equipment trade exhibition in Paris late last month. A change was needed in the industry's dimensions, he said, advocating the formation of "two or three poles . . . which would be of really international scale."

## Later stage

Thomson has been insisting on about Frs. 600m. of Government support to cover the equipment of the plant for new products, write-offs on unsaleable CII stock, CII's 1975 losses, and aid to both the peripherals/minicomputer and electronic components industries.

The fate of Toulouse, which employs about 1,700 people, has now become the pivotal point in the wrangle over the peripheral/minicomputer reorganisation.

France's peripherals and minicomputer industry is at least as well developed as any other in Europe. Its sales last year exceeded £100m., a jump of nearly 50 per cent on 1973 CII-B with the minicomputer InterTechnique, has pressed for a Government "Peri-informatics Plan" for years as a counter-weight to the famous Plan Calcul which supported CII as the French national computer standard-bearer through year after year of losses. In the event, however, the other, Thomson-Brandt

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France's peripherals and minicomputer industry is at least as well developed as any other in Europe. Its sales last year exceeded £100m., a jump of nearly 50 per cent on 1973

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The fate of Toulouse, which employs about 1,7

# COMPANY NEWS + COMMENT

## "Reasonable optimism" at Gallenkamp

A REASONABLY optimistic initial approach to the current year's uncertainties exists at A. Gallenkamp and Co., makers and suppliers of scientific apparatus and instruments, laboratory furniture and fittings etc., says chairman Mr. Peter Hallett in his annual statement.

Despite the economic background, there will be no deliberate contraction of the scale of group operations, and the directors will continue to strive for the growth and maintenance of profitability essential to generate the funds required to secure the future, he tells members.

And, adds Mr. Hallett, they believe they have correctly analysed and assessed the changes in conditions and trading patterns possible to anticipate and have set their targets and deployed resources accordingly.

The difficulties of the year under review to June 30, 1973, were successfully overcome, and, as reported on September 7, pre-tax profits expanded by 13 per cent. to £2.49m., with the net dividend total raised from 5.81p to the maximum permitted of 4.18p per 25p share.

Mr. Hallett says that much has been accomplished in the intention to achieve optimum product rationalisation, improved stock-holding and distribution service, and thus a more efficient utilisation of funds.

Export net sales increased by 23 per cent. to £5.65m., or 24 per cent. of total group turnover. They went to 14 per cent. (17) to Europe, 24 per cent. (same) to Asia, the Far East and Australasia, 41 per cent. (25) to Africa and 11 per cent. (14) to the Americas.

Overseas companies in the Netherlands, Malaysia, Singapore and Nigeria, and the two UK companies in which equity interests are held, all reported new turnover and profit records.

The source and application of funds statement shows an increase in net liquid funds of £46,330 (decrease £9.6m. previous year).

As reported last week, the principal subsidiary sold, on October 2, for £420,000, its 50 per cent. holding in Engineering Laboratory Equipment to Mr. John Mowlem which already held the other 50 per cent.

Meeting, Winchester House, E.C., November 4 at 11.30 a.m.

### • comment

A Gallenkamp's share price has risen by 16 per cent. since the preliminary announcement which revealed a second half pre-tax profits gain of over two-fifths, and the report confirms an improved trading outlook and balance sheet. Export rose by 73 per cent. in account for over a third of sales and the bulk of a near one-quarter improvement in margins. Working capital requirements dropped from 49 per cent. to 40 per cent. of sales, despite a marked fall-off in the proportion of finance supplied by creditors, and net cash flow of £1.1m. comfortably covered a £1.4m. increase in requirements. As a result, borrowings, as a percentage of tangible shareholders' funds, have fallen from 181 per cent. to 133 per cent. and the disposal of the group's 50 per cent. holding in E.L.E. this month for £220,000 in cash knocks another couple of dozen points off the ratio. At 120%, the fully diluted p.e. is 7.2 and a yield of 3.3 per cent. is covered nearly 4 times.

### South West Africa

A final dividend for the year to June 30, 1973, of 9.37p net per share, has been recommended by the South West Africa Company.

This makes a total of 17.875p for the year, which is equivalent to an increase in the gross amount from 25p previously to 27.5p.

Net profits for the year amounted to £738,151, compared with £1,026,092 in 1972-73. The report and accounts will be posted on October 20.

### IMI Alloy Steels to close down

A DERBYSHIRE steel-making factory is to close with the loss of 190 jobs.

The 10 year old company, IMI Alloy Steels, of Somercotes, which makes stainless steel ingots and metal rods, is closing because of continuing losses. Full redundancy payments have been promised and the firm will help the employees to find other jobs.

### HIGHLIGHTS

The week-end mail bag contains little in the way of major company news. Lex discusses the Grand Metropolitan rights issue, while elsewhere A. Gallenkamp and Gateway Securities take a confident view of current trading prospects. This week's company announcements are mostly concentrated in the earlier part. Glaxo produces its full-year figures later today, accompanied by an interim statement from Dupont. Tuesday sees an interim report—but no figures—from discount house Gerrard and National Discount, together with a half-yearly statement by UDS. On Wednesday, clothing retailers British Home Stores also reports on its half-time performance.

### Goldberg looks to second half

EXCLUDING VAT, first half sales (to August 19) of the Scottish departmental stores, A. Goldberg and Sons, increased from £63.6m. to £7.27m., but pre-tax profit contracted from £55,000 to £45,000.

Since August 20 sales show a further improvement in rate of increase and if this is maintained over the Christmas selling period, a more substantial profit increase could be achieved in the second half, the directors state.

Profit for the year to February 19, 1973 was £1.35m. on a turnover of £14.3m.

As before, the interim dividend of 1.025p net per 25p share. Last year's total was 3.74625p.

Turnover, £1.35m. or 24 per cent. of total group turnover.

They went to 14 per cent. (17) to Europe, 24 per cent. (same) to Asia, the Far East and Australasia, 41 per cent. (25) to Africa and 11 per cent. (14) to the Americas.

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### Plantation Holdings

All the Plantation Holdings outstanding £149,015 11 per cent. convertible Subordinated Unsecured Loan Stock 1991-96 has now been cancelled.

Of the stock, £5,455 will be repaid at par, with interest accrued to September 30, and alloted. The rest has been made of £51,000 fully paid new Ordinary shares of 100p on conversion of £143,500 stock.

The relevant share certificates and/or cash entitlement will be despatched not later than October 28.

### Improvement at Hanger Investments

FOR the first half of 1973, Hanger Investments, Ford main dealers, reports taxable profits of £30,000. This compares with a loss of £92,945 in the last six months of 1972, and with a profit of £52,100 in the first half of that year.

Members were told last June that management accounts for the first quarter indicated a profit on current prospects the directors

now state that while the group is trading profitably it is not possible in the prevailing trading and economic conditions to predict results for the full year.

They explain that while first half turnover increased by nearly 30 per cent. from £5.53m. to £10.13m., this does not reflect the volume of business in real terms.

In the smaller vehicle market the competition from both British and imported vehicles is reflected in margins.

The Board is continuing to examine the operating costs within its control.

First half 1973 1974  
Turnover £16,120,000 £17,520,000  
Trading surplus £89,000 £24,000  
Int. depreciation etc. £75,700 £10,000  
Less tax £35,300 £1,000  
Tax equalisation 19,000 21,000  
Net profit 11,300 14,100

### Kearney & Trecker loss

TURNOVER of Kearney and Trecker Marvin, machine tool makers, amounted to £9.19m. for the 15-month period to December 29, 1973, of which the company incurred a net loss of £1.42m. after a tax credit of £2.53m.

For the previous 12 months turnover was £5.21m. and the net loss £2.08m. after £298,391 tax credit.

No dividend is being paid—the Preference dividend is in arrears from January 1, 1973.

As known, Vickers has an option until April 30, 1976, to acquire a controlling interest in the company.

Through a new holding company—the Department of Industry is asking for £3.5m. to meet current commitments of the company and to provide further working capital. In addition £1.9m. of secured loans held equally by the Department of Industry and the Industrial and Commercial Finance Corporation, the company are being capitalised in the form of Preference shares in the holding company.

### Brittains to extend its activities

BRITTAINS, the Staffordshire-based company which has interests in a variety of activities from film laboratories to life insurance broking, is seeking to modify the trust deed of its 7% per cent. Convertible Unsecured Loan Stock, 1981-81, which it considers is too narrow a description of the group's activities.

The directors are also proposing to raise the interest rate from 7% to 7.5% per cent.

They explain that they are considering expanding into the manufacturing and distribution of electrical components and equipment, and this will be one of the activities listed in the revised trust deed.

Of the stock, £5,455 will be repaid at par, with interest accrued to September 30, and alloted. The rest has been made of £51,000 fully paid new Ordinary shares of 100p on conversion of £143,500 stock.

The relevant share certificates and/or cash entitlement will be despatched not later than October 28.

### Salgitter sales fall

TURNOVER of the State-owned steel engineering and shipping group, Salgitter, fell to DM22.07m. in the third quarter of the year ended September 30, from DM23.41m. in the second quarter.

FT Share Information Service

The following securities have been added to the Share Information Services appearing in the Financial Times:

Muslim Fashions (Section: Drapery and Stores), Reynolds Diversified Corp. (Section: Oils).

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# FINANCIAL TIMES SURVEY

Monday, October 13 1975

## City of London Property

The violent swings in the property market over the last three years have introduced an element of uncertainty for everyone who works in the City of London. The structure of employment may change, tenants have had to face big increases in costs, and landlords have been hit by falling values.

### Major worries

1  
ound

ONE WHO works in the City is affected by what is happening now in its property market. While property rises, and occasional falls in value attached to a City have left most of the working population untroubled—their companies occupying freehold premises, or having leases with infrequent reviews—the violent swings of the last three years and uncertainty about the future make the present position quite difficult.

Appearance development expectations of the boom continue to change the look of the place for three years to come in the process providing inter offices for many ands, but continuing the use of some amenities such as tall shops, specialist personal firms, cafes, etc. In of existing tenants, a proportion of whom have before have rent reviews come up, the levels set will most tenants are faced with a the City. Be two jokers in the whether there will be rates explosion which is already accommodation cost pack: what the major changes in the type biting and the fear that rents is badly needed is some

of companies which decide they will, with the cessation of new developments, take on another terms of new tenants, the City's 1973 spiral should the economy role as a financial centre may recover. This spiral in new space prices and new lease rental levels could carry up the cost of second-rate offices when the rent reviews come round or leases expire.

### Decline

Most landlords are faced with increasing amounts of inner space: with rent expectations reduced and the future an uncertain as to make decisions on improving properties, yet alone redevelopment, very hard; and through a combination of rent falls and yield rises, with a drastic decline in asset values.

Having taken prime upper floor space in the second half of 1973 or beginning of 1974, a company may now face an accommodation bill per employee—taking 100 sq. ft. per head as a normal requirement—of £3,200 each year. Only rich companies were willing takers of space in that market, and they could buy cheaper now: the equivalent cost, including rents, rates and service charges, would be around £2,500. But such an uncertain market tends, with the City's confined perimeter, to affect all qualities of accommodation more immediately than elsewhere. With the total rates bill from City offices having gone up by a factor of six in six years, rates are both a new burden and an almost totally unpredictable one. There cannot, for the general health of the City, be two jokers in the and in March 1975 the values pattern which has reduced prime rents down by a quarter, rents from £22 to £25 per sq. ft. were written down by a quarter, rents from £22 to £25 per sq. ft. From traditionally holding a 1% peak to an uncertain level will test levels when it finds a

stability, or at least predictability, in the level of rents.

Briefly, what has happened to City property prices in the last four years is this: during 1971 and 1972, while rents were stable, the investment yields on

which buyers were prepared to

work dropped from 7% to 8 per cent, down to little more than 4 per cent. The years 1973 and 1974 saw the explosion of rents, with gains of up to 80 per cent.

With most of the City's

markets at a peak of profitability, there was a shortage of space. The Commercial Union and P & O buildings, though

they were not in the City's

traditional best locations close

to the Bank of England, were

let at over £20 per sq. ft. being

the only large new units of the

best standard of accommoda-

tion on the market. The famous

fancy rents of over £30 per sq.

ft. for central banking halls

were paid. In some cases

aided by developers rehousing

tenants without too much

thought to cost, assumptions of

a firm City level of around £25.

For prime upper floor space

seen as reasonable.

The most dramatic example

of these assumptions is the re-

valuation (though it never went

into its accounts) of the port-

folio of Britain's biggest prop-

erty company, Land Securities.

With its fortunes based on City

property, its values suggested

a 28 per cent increase in values

between the spring and autumn

of 1973. By the following March

the 28 per cent was dropped

to 10%.

But these are exceptions.

Most tenants are faced with a

the City. Be two jokers in the

whether there will be rates explosion which is already accommo-

dation cost pack: what the major changes in the type biting and the fear that rents is badly needed is some

premium yield rating over all around £18 on the resumption of tenant in another area where and it is a sign of the times, other property sectors, the City lettings, down to a very wide one high-priced letting, of the splitable in many unit sizes) has now fallen behind the level band for negotiating between old To the H building modernised include the quality of the structure for the best suburban locations, £13 and £17 now, there is every by Compass Securities and let lure, and the fact that this is probably the last brand new tower block available for many years.

One of the prices must surely be false. The arguments against the high one include the impression that tenants will hold off taking space until the economic outlook (many clients being as much influenced by the international as the national trend) is clearer. By that time it would seem there will be even more space, as continuing developments are finished, overhanging the market than the current figure of around 3.5m. square feet. A leading agent, Richard Ellis, has forecast that there could be over 5m. square feet, that is a tenth of the City's total office accommodation, on the market in 1977 before demand and absence of new space, cuts down the figure quite quickly. So the Bishopsgate rent may demand a tenant who, in the interests of quality, is prepared to take a fairly long-term view of costs.

Should both prices prove too high, then in money terms City rents will be dropping below the level of the end of 1972, before the rent spiral started. That, given inflation since, particularly in construction costs, is perhaps as dangerous a dip downwards. The premium City property commands is the premium London holds as an international financial centre.

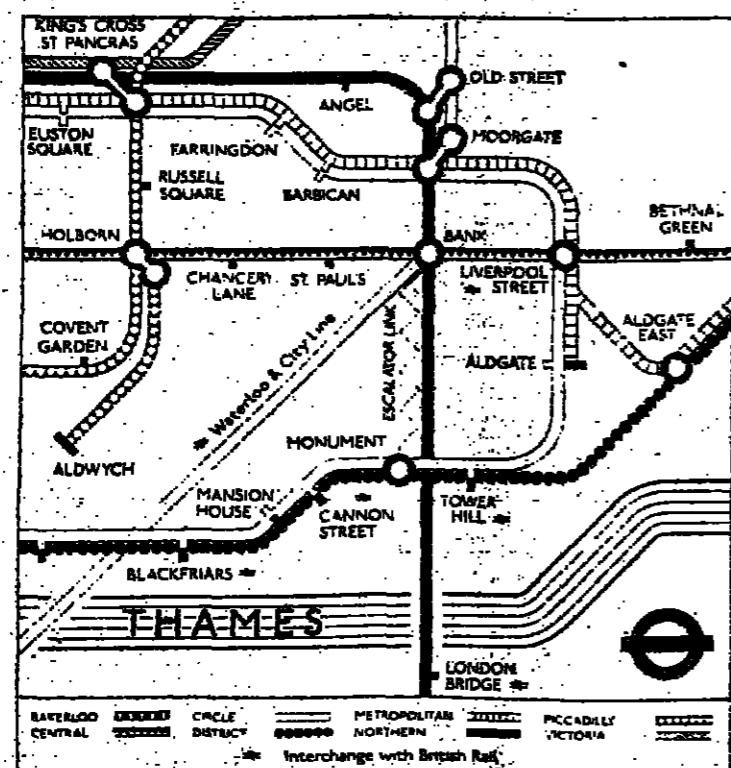
Such low rents would be a reflection of a deep decline.

Quentin Gurdham

Property Correspondent

## Putting City rents on the line.

### A selection of available Properties



In order to take advantage of the prevailing favourable situation you would be well advised to talk to us at Jones, Lang, Wootton. We have a computerised register of current City properties offered at competitive rentals and on attractive terms.

It's our business to keep abreast of property trends and use our insight to help you solve your problem.

#### BLACKFRIARS £9.82 per sq. ft.

Blackfriars House, New Bridge Street, London EC4. 70,000 sq. ft. air conditioned offices, modernised to an exceptionally high standard. Immediate occupation. Joint Agents: Michael Laurie and Partners.

#### LIVERPOOL STREET £12.82 per sq. ft.

88/104 Bishopsgate, London EC2. A new banking hall of 12,475 sq. ft. including ground floor mezzanine and basement. A 12 month rent free period offered for fitting out.

#### FENCHURCH STREET £14.35 per sq. ft.

10 Lloyds Avenue, London EC3. A new air conditioned building of 22,000 sq. ft. Immediate occupation.

#### BANK £13.50 per sq. ft.

Stock Exchange Tower, Old Broad Street, London EC2. Prime air conditioned offices to be let in units from 1,000-32,000 sq. ft. Immediate occupation.

Joint Agents: Richard Ellis and George Head & Co.

#### ALDGATE £13.41 per sq. ft.

Irongate House, Dukes Place, London EC3. New air conditioned office suites of 4,250 sq. ft. to be let.

Immediate occupation. Joint Agents: Knight Frank & Rutley.

#### LONDON BRIDGE

New London Bridge House, London Bridge Approach, London SEL. A modern building available in units from 5,000-25,000 sq. ft. Immediate occupation.

#### BANK

118 Old Broad Street, London EC2. Self-contained office building of 3,176 sq. ft. in an excellent position. Immediate occupation. Joint Agents: Knight Frank & Rutley.

#### MANSION HOUSE

Regina House, 5 Queen Street, London EC4. Modernised 4th floor self-contained office suite of 2,700 sq. ft. Immediate occupation.

#### CANNON STREET

14 Nicholas Lane, London EC4. A new air conditioned office building of 3,600 sq. ft. Suitable for banking. Immediate occupation.

#### MONUMENT

Regis House, King William Street, London EC4. 4,000-40,000 sq. ft. offices to let as a whole or in individual floors. Immediate occupation.

#### MOORGATE

City Wall House, Chiswell Street, London EC1. Entire fifth floor comprising 6,250 sq. ft. office accommodation. Immediate occupation.

**JONES LANG**

**WOOTTON**

Chartered Surveyors

International Real Estate Consultants

City Office Agency:  
33 King Street, London EC2V 8EE.  
Telephone: 01-606 4060

# Granite House

101, Cannon Street, London EC4

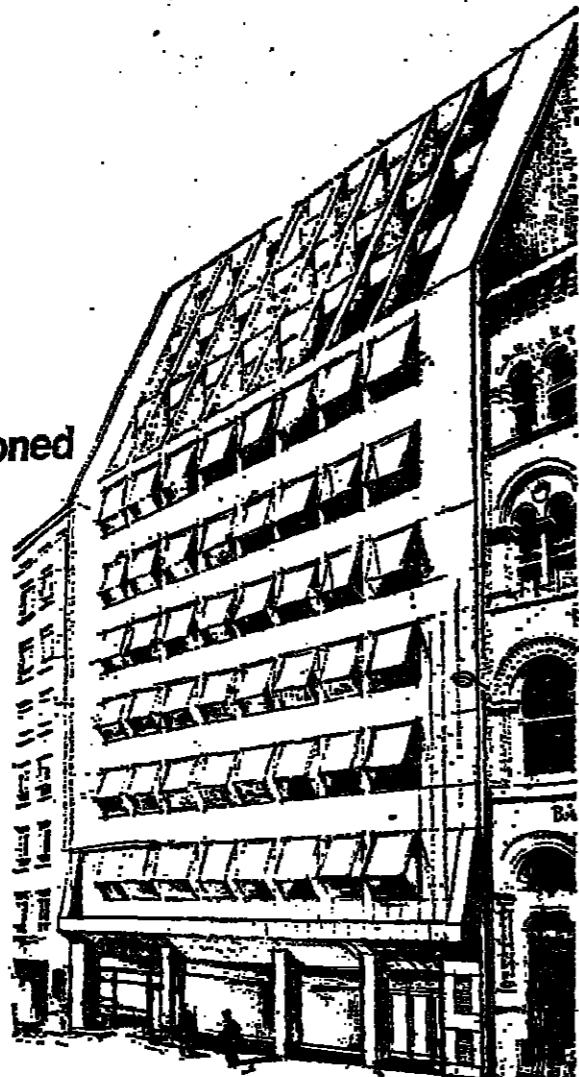
A superior air-conditioned  
fully carpeted

## OFFICE BUILDING

36,050 sq.ft.

in the heart of the City

TO BE LET



Apply Sole Agents:

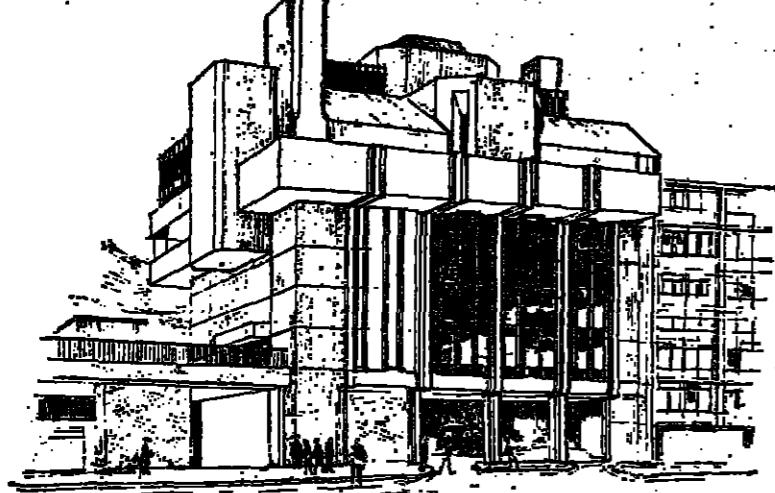
**Hillier Parker**  
May & Rowden

34/35 King Street, London EC2V 8BA 01-606 3851  
and London W1, Edinburgh, Paris, Amsterdam, Australia

Upon the instructions of the Salters' Company

## 4 Fore Street London EC2

New prestige air conditioned offices



Approximately 15,628 sq ft

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Bancroft House Paternoster Square  
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## PRESTIGE NEW OFFICES

### QUEENSBRIDGE HOUSE

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### AIR CONDITIONED

52,850 sq. ft.

To Let as a Whole or in Suites from 5000 sq. ft.

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01-606 3851

Michael Kalmar  
& Partners

BRIDGE HOUSE  
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LONDON EC4V 4EX  
01-236 6871

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## CITY OF LONDON PROPERTY II

# Development downturn

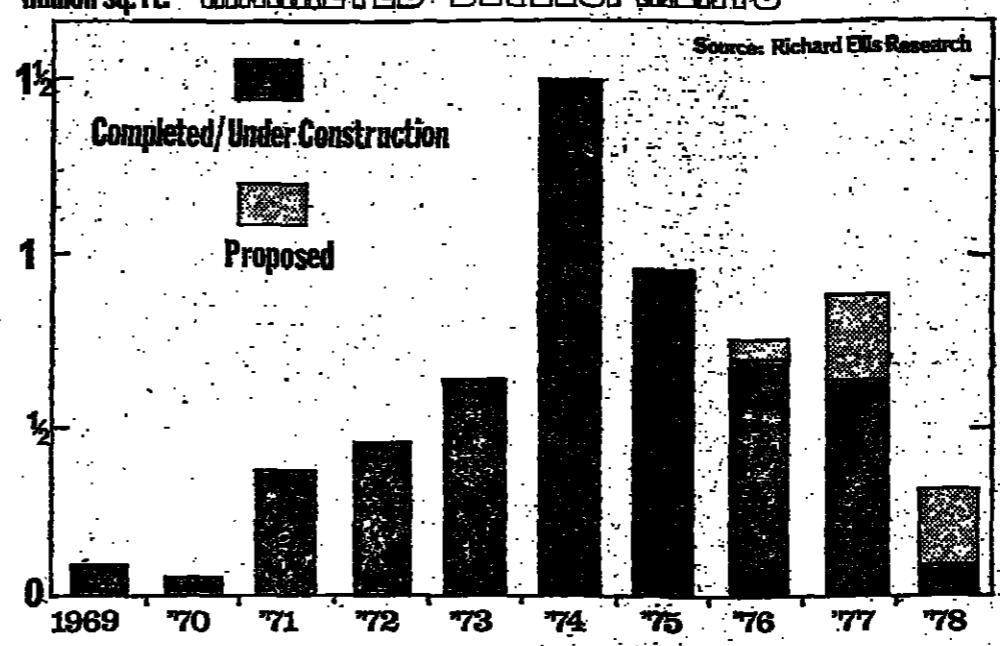
IT STILL looks as if the City is full of new development activity. A walk down Bishopsgate starts with the building site for a Barings, Banque Belge, Anthony Gibbs, block, and across the road is the slow-rising platform of what will be the City's tallest building, 500 feet, 38 office floors and 636,000 square feet in the National Westminster's tower. On the same side there is finishing work on No. 55's old facade and No. 99's 350-foot tower. Opposite is the Great Portland Street development, just let, and beyond that the smaller new Bishop's House. Over the road, across the churchyard, there is Trafalgar House's Wormwood Street/Old Broad Street being built, and to the right Land Securities' brown Dashwood House recently completed and let to Barclays Bank International. At the end is Liverpool Street Station and the Great Eastern Hotel, both due to go in the biggest development of all.

The appearance is deceptive. New development plans in the private sector are minimal. The building out of existing schemes will take until 1978. After that, with doubts over even the public schemes like Liverpool Street, it is possible there will follow the longest period in recent history when the City's skyline goes unchanged.

The stages in this closing down of development schemes can be seen in the graph, by agents Richard Ellis. With an element of schemes only proposed, not yet started, in the latter years, the estimates of development space completion dates run from last year's 13m square feet to this year's 950,000 square feet, 1976's 750,000 square feet, 1977's 850,000 square feet and 1978's 300,000 square feet.

Difficulties with planning permission, later reinforced by

### million sq. ft. MARKETED DEVELOPMENTS



Community Land Bill and Development Land Tax considerations were the reasons for the fall off in future development plans. To these are now added basic financial considerations while demand in the City remains uncertain.

But evidence of two companies still trying to get major schemes off the ground cropped up last month when Wingate Investments finally got detailed planning permission for a 200,000 square foot office development, plus low-cost housing, at Aldgate on the fringe of the City. This should be completed by 1978, with Wingate, British Rail and London Transport hoping that by then the dearth of other development space on the market will add to its appeal.

Also Whitbread, in association with Trafalgar House, made a "last of the big ones" before last-ditch effort to get through developers, or whatever new planning permission on Chiswell Street site, something it has been trying to do for six years, with the Community Land Scheme. Even when they do, there seems no reason why the get the scheme approved and GLC's stipulated policy on office content, Whitbread has to start before the end of the year. Otherwise its profit change quickly, and exemptions on its ban which might be applicable to City developments look few.

Meanwhile, the development space being completed before 1978, though down toward the 1973 level rather than last year's peak completions, is probably getting consent in record time enough in a slack market, with look marginal, so that it is possible it will instead develop more brewing space in the City. So the profitability of some policy given the transport of the new schemes will hang problems. If so, Wingate's three-block scheme will prove the start. Among the bigger pro-

jects due to finish next year are at Nos. 5-11 Fetter Lane and at Holborn Viaduct in east and more centrally 124,000 square feet on corner of Wormwood Street and Old Broad Street. In the Customs House, Old Exchange, and Nos. 11-12 Cannon Street, development will be finished with a Court perhaps in the following year.

To go two years further, to 1980, is probably first likely date for a start work on the new Liverpool Street Station. As was possible with a scheme of this kind, Mr. Crosland has called in plans to make the design himself after a public inquiry. There was also the little matter that two bays of "train site" spanning the western end of the station, and the offices flanking the range Grade II listed buildings.

The magnitude of the scheme, particularly of the nail tower has since freed up space in the City (the building currently reviewing its floor space requirements) means these two developments could prove an active development to other plans.

Apart from the 22 new towers (bringing in the proposed Broad Street services as well as new shops, 300-bed hotel (including the press, Abercorn Rooms) and much more, the proposals at present are for 840,000 sq. ft. of office space. Ten years is reckoned to construction period.

At this, given the cost and British Rail's financial difficulties, seems a remote possibility. Whether we have the space even granted the money, such adventures will be a interesting test of political attitude toward all developments public or private.

Quentin Gurnell

## The effects of planning

BACK IN the heady days of the 1960s when planning was least in part by what the City Government and other objectors had said, the Panel went on to strike out all the GLC's other ambitious employment policy proposals. The Panel thought that the idea of using floor-space controls to match the supply and demand for labour was unworkable, and the notion of reducing the decline in total employment undesirable. Planning approval, the GLC said, should be based upon environmental considerations alone and the GLC should content itself with more limited and more realisable employment policy aims. An upper-tier planning authority such as the GLC should certainly endeavour to encourage new employment in specific locations but not by using negative controls elsewhere as these were not only arbitrary but also ineffective. The GLC should certainly seek to rehabilitate worn-out industrial areas and remove non-conforming industry. But, as it should concentrate on non-conforming industry. But, as it should concentrate on watching out for and trying to help ease medium-term structural imbalances between supply and demand.

The Panel delivered its report at the end of 1972 and the theory of structure plans was still being evolved when the GLDPP was being written. The first set of official guidelines on structure plans was issued barely 12 months before the GLDPP was completed and the full authoritative version did not appear until the Inquiry had already begun sitting.

Above all, perhaps, the regulations which the Government had issued in 1966 and 1968 required the GLC to elaborate its statement of general policy on employment with "a statement of that policy as applied to the individual London boroughs, to the City of London and to the Temples or areas thereof, indicating in particular where the growth of offices, industry and commerce should be restricted and where it should be encouraged, and the volume of employment proposed". (Such were the thoughts on what could be achieved by planning in those far-off days.) The GLC was thus forced to stretch the aims of policy further than it itself had thought either desirable or practical.

The Panel accepted that part of the blame should be put on the Government for issuing such unrealistic regulations. Even so, it still thought that the GLC itself was too ambitious and it will be interesting to see what Mr. Crosland makes of the Panel's counter-arguments. The Panel pointed out not only that there was not enough reliable

information about the future trend of labour and supply, especially in the sector, but that the planning authority to implement the decisions of counties, individual employers and employees was extremely limited. Lack of any other weapon GLC proposed using it over new floorspace. But

was a highly arbitrary and discriminatory weapon—impossible so the Panel thought would be impossible for local authority to find for "selecting between applicants in a manner both in their and conducive to national interest". There was no clear relationship between volume of employment and volume of employment with some 200m square feet of office floorspace already in London, the regular planning approvals for 24m to 3m square feet floorspace a year is likely to bring about a dramatic difference to the concept of control and

### Liberally

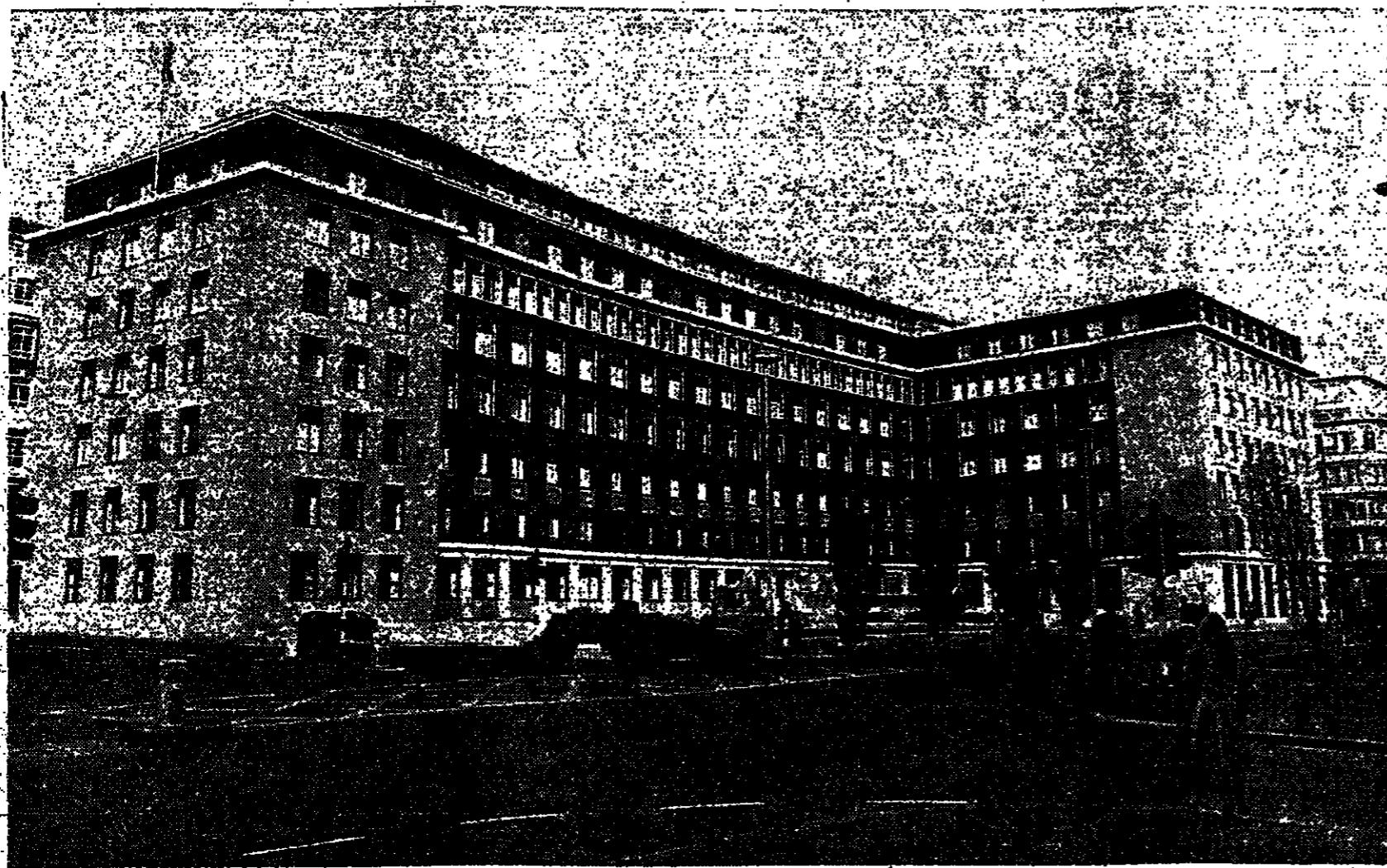
Because of this and the main wave of post-reconstruction was now over in central London, the Panel went on to propose the Government's own Development Permit system. It should also be abandoned. The DPP system was introduced 11 years ago, it has been administered with considerable inconsistency—permits been tightly restricted, some periods and generally during others now operates only in the south-east. The

thought that, instead of the planning controls, greater should be made of the mechanism by devising a system of taxes or charges which would raise the cost of employing new and existing employers, and which would equate costs with "social costs".

The Panel acknowledged such a system would take time to develop. But firms in Central London, and particularly in the City, would less argue that the burden of local rates already be achieving the result. The 1973 revision of rateable values raise City's share of the aggregate rateable value in London from 74 per cent to 76 per cent. Since then the share of the total GLC London rate call has risen, 77 per cent to over 13 per cent, while in money terms more than doubled in two

Colin J. Ellis

## CITY OF LONDON PROPERTY III



old Wiggins Tea's headquarters, Gateway House, on Cannon Street, bought by the Imperial Group Pension Funds in 1972 and let to the Bank of America last month. Falling rents have changed the Imps' yield calculations.

## Investment trends

**E**INVESTMENT values seen in the jump of 28 per cent. development restricted the number of investment opportunities, which coupled with the natural reluctance of existing free-holders and long leaseholders to sell made any offer of a property a special event, attracting intense competition among buyers. The most striking 1974 when the market was turned-known examples are going down the main factor was a sharp rise in investment yields in value both of Land Securities' portfolio (in 1973 from 4 to 4½ per cent up to 8 per cent, or more). At the same time, rents were more or less unchanged and did not really begin to drop until the late summer; their subsequent fall in values over the past 12 months despite a slight rise in yields.

## Yields

The fact that both rents and yields have fluctuated much more sharply over the past four years than in other sections of the property market is the past few years. Thus explained both by the long-standing popularity of City when rents for prime property and the specific City space were stable, pressures of the last decade, were falling sharply from 7 per cent range to one of the oldest property groups, City of London Real Estate, with a rate of around 4 per cent. (now part of Land Securities) quoted for a very few. Over the there. But the tight controls on office building introduced in the mid-1960s and subsequent acute shortage of space, especially in 1972-73 greatly enhanced these attractions by pushing up rents to previously actual or potential supply with many of the fringe City development projects being offered

for sale, and also some investment announcements in the central areas being that rent controls would end in effect available at the 'right' time: the sharp fall in price, though vendors did not interest rates in the early months of this year reinforced as quickly as potential buyers. Any indication of the demand as a rate of 8 per cent weakness of the market, especially for a good quality property, was the failure early last year of the attempted offer for when the return on equities was sale by Land Securities of two in the tens. But demand was large buildings near Lloyd's, at first concentrated on relatively small buildings outside the central London up to £2m. in the first half of last year and some to £5m. range, and few deals prime buildings were sold. By the end of the year the largest deal was the two later in the spring.

This was reflected at a number of tenders during 1972 and 1973—possibly the best known being those for Gateway and Piercy Houses—in each case on lowish yields on what seemed even then to be rather optimistic rental assumptions. In fact, the number of deals actually agreed in the City was relatively small and some institutions, such as certain life companies effectively kept out of the market for much of the period. Many of the acquisitions, particularly on the fringes of the City, were development or refurbishment projects for property companies rather than pure investment deals.

The market then turned sharply downwards in December 1973 as the sharp rise in interest rates, the secondary banking crisis and uncertainties created by the development gains tax proposals eliminated most of the demand almost overnight. At the same time, there was a big increase in the availability of space, with many of the fringe City developments being offered at a rate of about 6 per cent.

The first part of the deal involved the British Rail and Post Office pension funds, both major property purchasers, and the pension side of the Legal and General, the Abbey property bond having withdrawn from negotiations. This deal showed that major investors were still prepared to buy quality property in the City even at higher rates than before. The second part of the deal (at a higher yield) came that summer when the Abu Dhabi Investment Board bought a £36m. interest in the block in one of the largest investment sales ever in the U.K. Another indication of yield levels during the summer was the disposal of Britannia House at a net rate of about 6.5 per cent.

Otherwise, those deals which were agreed in the City last year tended to involve special interests—for example, the purchase by the National Westminster Bank of the old Lazarus building, adjoining its own property, or the sale by Town and City property of the offices over Cannon Street station to Lloyds Bank, the main occupier. It is difficult to talk with much certainty about yield levels during this period because of the relatively small numbers of deals agreed, and anyway the rate was continually changing. By the autumn, the national prime rate had crept up to the 7 per cent level and probably reached a peak of 8 per cent or more in December as increasing doubts developed about the level of rents.

## Letting

The downturn in the letting market first occurred during the late summer, but then the increasing supply of space and weakening in rents became steadily more apparent throughout the autumn. The fall-off in rents was most marked in the central City area and the contrast between this and the strength in outer London and the suburbs led to a growing discussion about the relative rating of City investments.

By the end of last year, the traditional premium which the City had enjoyed over the rest of the office market had disappeared, and agents were talking of a prime rate a quarter to a half point lower for prime blocks in the London suburbs and certain Home Counties' towns than in the City. This distinction has persisted this year with the further evidence of the fall in rents to 8 per cent or more below their peak end-1973 levels.

The investment market started to recover following the

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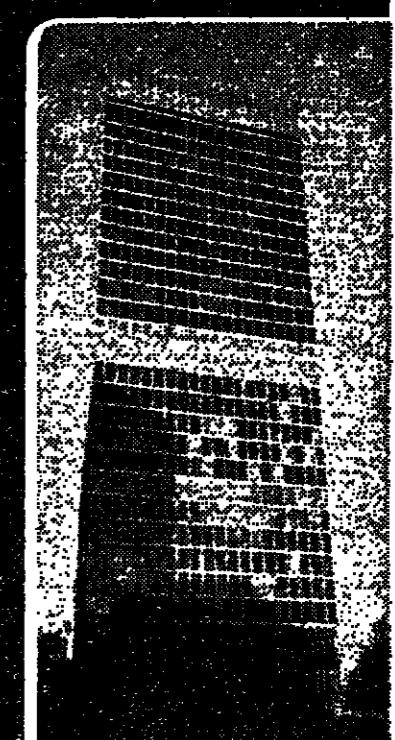
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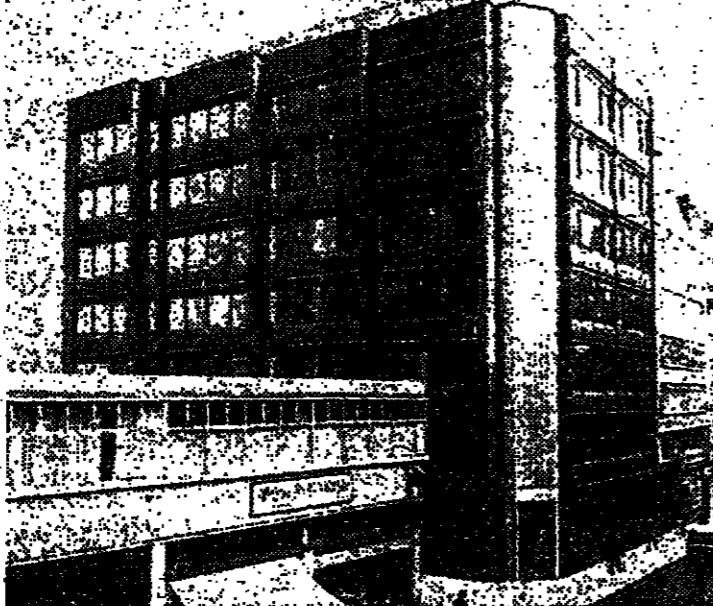
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Peter Riddell



## CITY OF LONDON PROPERTY V

## The river's new character

THOROUGHLY comprehensive redevelopment is to be out of the way by the City planners in 1976 in planning offices these with tower blocks of urban motorways, but talk about all of these in the planning department of the London boroughs only talk about them.

The largest element in the stretch of riverside owned by the Thames Blackfriars Station and the Dock, about one mile long, which is the City planners as Redevlopment Unit No. 47. This is the report on reconstruction in the area of the Court of Appeal in 1947 by Dr. Holden and Professor (now Lord) Holford, of the other redevelopment it has long since been making good the war, when a third of was destroyed, but Redevlopment Unit No. 47 has recently been razed. Now, to rise like a phoenix from the ashes, is the new concrete world of the 21st century will

Thames Street, once a service road, has now a six-lane dual carriage on the southern perimeter, running all the way to the Embankment. Immediately in front of St. Paul's the road runs in a under a concrete deck, of which is being built a telecommunications centre for Office Corporation and City of London School for

## premises

has already started on im. telecommunications for which the a. architects William Holford and s and the contractors are aing. Construction. The is to be known as Bay house, is due to be com. at the end of 1978, when provide 425,000 square offices, including new s for the London Auction and also a multi-story for about 400 cars. erationists are hoping hen Baynard House is the Post Office will

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## Rates

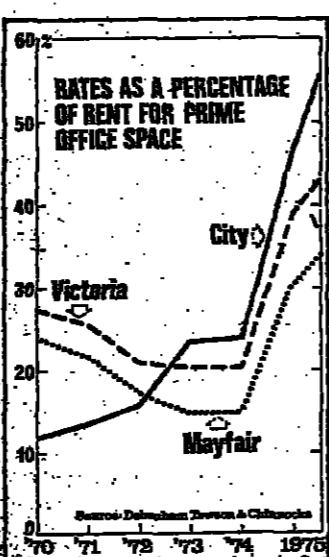
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Government. But those who have to take long term decisions on City accommodation will be unlikely to base calculations on the ability of local government to cut its capital expenditure requirements with any speed or to hold its wage bill to the orderliness of this year's settlements with NALGO, NUPE and the NUT.

Against a situation where, in rent terms the City is a buyer's market, the rates burden increases the attractions of relocation. Where the new high level of accommodation expenses in places like Croydon may not be enough to push many businesses right out of town (apart from those contemplating a major change of staff by going to the further regions), the attractions of fringe areas with quite different rate burdens increase. In particular the 'West End' and the areas between the West End and the City, may benefit from the dual pull of lower rates and over-supply of space, to hold rents down, which is more severe in many areas than anything forecast for the City.

Chart

The chart and graph from agents Debenham, Tewson and Chinnocks show the trend clearly and its effects on the Chancery Lane, where the



cost of accommodation per employee. It should be remembered that such statistics apply to new rentals. For most, the cost per employee is for less, though where a rent has been fixed at the top of the market, the total cost position is blacker, with the increased rates bill in the City, for instance, taking the cost per head, in rates and rent alone, on a 1973 letting, to over £3,000.

In miniature, the pull of different rating costs in different rating areas is shown in the chart, and its effects on the Chancery Lane, where the

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LAST WEEK'S amendments to the Community Land Bill, giving exemptions to rebuildings which do not increase floor space by more than 10 per cent, may indicate that a one-tenth figure for exemptions is part of official thinking. Those in the refurbishment-modernisation business will hope so, at present enjoying Development Gains Tax exemptions and trusting these will carry through to the Development Land Tax.

Development Gains Tax has a slightly different one-tenth exception, covering "the carrying out of works for the maintenance, improvement, enlargement or other alteration of any building, so long as the cubic content of the original building is not exceeded by more than one-tenth."

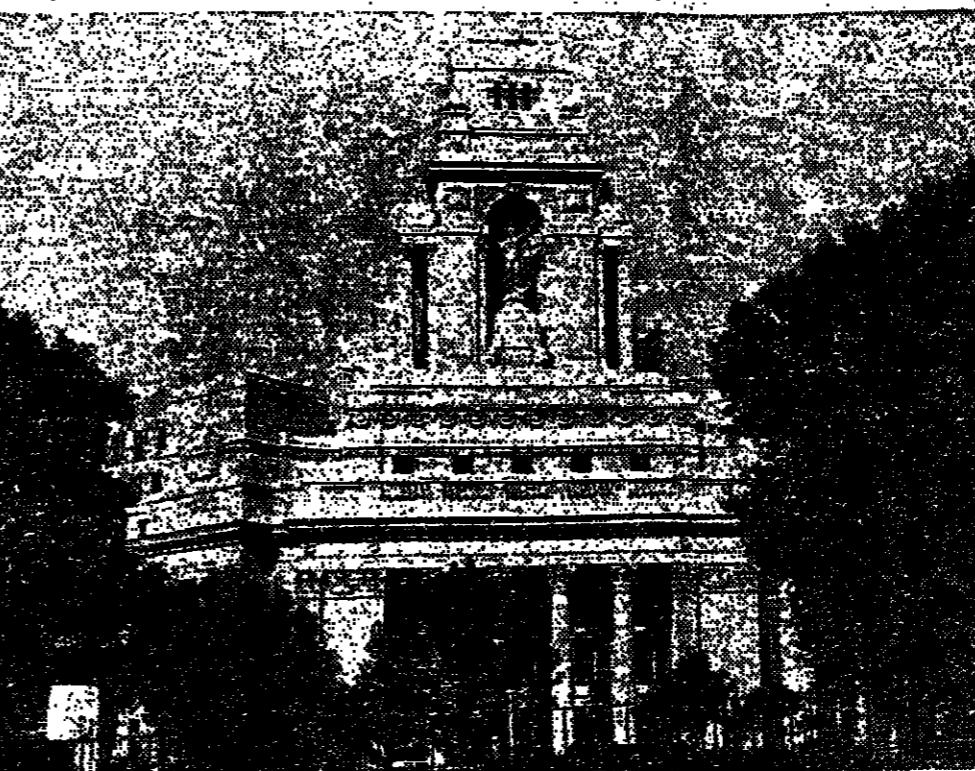
In practice, within the City, either definition within the one-tenth limit will do since few refurbishments are going to fit that much more into a building shell without planning permission problems.

So although major new developments are unlikely to be started in the near future in the face of financial, fiscal, legislative and planning constraints, what building activity there is in the City will be concentrated on modernisation.

Already, despite the large development areas within it, the City can boast some very well renovated old buildings. Some of the Corporation's work, and some liveried company schemes are excellent. The commercial developer most associated with this aspect is Haslemere, and more recently Compass Securities, run by an ex-Haslemere man Geoffrey James has also shown how these things can be done, as has Hammerson.

In tackling bigger buildings, there are three good examples by different developers on the market at present—No. 55 Bishopsgate (Berkeley Ham), Blackfriars House, (MEPC) and Amalgamated House (Amalgamated Investment and Property).

But whether the improvement of these large office buildings will prove profitable over the next few years is in doubt. There is an enormous difference in cost involved between just smartening up a building at the price of £5 or £10 per square



Amalgamated House, formerly the PLA headquarters, and now modernised down to masonry work on the roof which only the pigeons can admire. Will the £4m-plus spent on the job be recouped?

foot and a full blown modernisation which may be taken by those which could now cost £45 with a bearish view of the City's profitability, is that just such a same as a new building. In bearish view could also indicate between there is an interim stage generally known as refurbishment which probably includes new lifts, lighting, plumbing, floor layouts (and probably an extra floor) in what are basically sound buildings.

In general, the rental gap between new and old buildings began to close in the late 1960s as the "Brown Ban" on new developments started to bite. Space demand during 1971-73 continued the pattern, which has always been more emphasised in the City than elsewhere because of the need to be near certain markets, however badly housed. With a bleak economic outlook, demand will not stop the gap from widening again.

Nor will the proof of experience, especially among banks, insurance companies and insurance brokers, that they can move much of their clerical staff outside the City. Slack demand and an oversupply of space make tenants choosy. In modern offices, they are now querying whether the air conditioning has proper return air systems, whether it is easy to lay out telephone and electric grids in the floor, window modules, block depths, etc. If

there is enough space on the market which at least answers some of these points, then the rougher offices (apart from the market areas which demand small clerical back-up and where the occupants are out and about the City for most of their day) may fall right out of line with average rents.

The danger with such a policy, out than the stated hope that

it would fetch £20 per square foot. On Amalgamated House, bought for £9m, envisaged at a cost of just £4m, and on the other major modernisations, the question is not yet answered.

But the specialist modern refurbishers have "their point in financial as well as aesthetic terms. Hammerson's chairman Mr. Fred Cleary is also doing his best to get more flowers and greenery into the City, has been able to the extent of being of only a handful of pr. companies which could in Rights issue this year, let a popular one.

### Functional

The bulk of Haslemere is in 5,000-10,000 square buildings, prestige office it stresses, functional than lavish. A good example of Haslemere's quality is 12,500 square feet of office bought, transformed and sold to the Foreign and Commonwealth Office for £3.25m. In 1974 at Nos. 1 Laurence Pountney Hill, half the company's work for the City and, a rare staff for a developer, its managing director David Pickford says "We are buying what we can."

With its fiscal advantages many other developers, as existing owners of buildings which look in danger of moving badly down the scale in the present conditions, will look closely at the possibilities of modernisation and refurbishment over the year. Until there is some stability in demand and rental levels, the calculations are extremely hard, with architectural pitfalls as building cost inflation to be up. Even if fine nowhere as rewarding developments in previous years, this could at least satisfy by reviving the useful fine City facades whose completely fail to meet modern office requirements.

Quentin Gurn

## Benefits for the provinces

FOR THE last ten years the sengers are travelling down the City of London's thrombosis has been provincial Britain's tonic. Cities and towns all over Britain have benefited economically and achieved a nucleus of commercial enterprise in their areas by the arrival of major business organisations from the City and central London.

The second stage of the flight from London was the bolder. Companies concluded that they could benefit by going the whole hog and moving at least sections of their clerical and commercial work not just a few miles from the City but anything up to 300 miles. So during the last few years moves have tended to be over longer distances to places where accommodation is available at the right price and the right quality of workers can be found. To take one successful case of a town that has benefited from this wave: Swindon has gained nearly 3,000 jobs from moves out of London. The second wave of moves has, to be strictly accurate, merged into third wave. The latest moves from the City have tended to skip the crowded South East of England entirely and head for places to the north and west. The movement of 1,500 banking jobs by Barclays to Knutsford, Cheshire, is an example.

The following companies are among those which have left London during the last year: Anchor Underwriters, 120 jobs to Redbridge (Ilford); Selection Trust, 100 jobs to Newbury; the Prudential, 470 jobs to Reading; Cornhill Insurance, 200 jobs to Leatherhead; Hamilton Leasing, 130 jobs to Bristol; Van den Berghs, 450 jobs to Burgess Hill; Unilever, 450 jobs to Kingston-upon-Thames; Wiggin Teape, 435 jobs to Basingstoke; Barclays, 1,500 jobs to Knutsford; and Foster Wheeler, 1,050 jobs to Reading.

A number of other companies have also decided to move parts of their operations from the City. They include Lloyd's of London, 1,000 jobs to Chatham; Hamblin, 350 jobs to Brentwood; UK Provident, 200 jobs to Salisbury; Abbey Life, 700 jobs to Bournemouth; Morgan Guaranty Trust, 500 jobs to Newham; and Mercantile General, 450 jobs to Cheltenham.

No organisation monitors the currents of commercial movement between the City and the

provinces more closely than the Location of Offices Bureau in the past: but the location of offices in Chancery Lane, LOB, situated in Chancery Lane, LOB, was set up by the Government in 1963 and although a small secretariat with a £150,000 annual budget, it has proved surprisingly effective as a mid-wife for the transferences of organisations involving hundreds, and sometimes thousands, of jobs.

The view of Mr. G. A. Prendergast, the LOB chairman, is that the total central London office space of 197 million square feet is going to level off at around 200m. square feet when construction work at present in the pipeline is finished. And from that point, which he puts in the late 1970s, he expects the old City rental spiral to set in again making it even more desirable for a number of companies to move out.

A recent review of the City office situation by estate agents Richard Ellis underlines that point of view. They see 1977-78 as a turning point beyond which rising demands for prime office space in the City reacting upon a strictly limited supply will surely be reflected in rising costs for tenants.

It does seem from the evidence available that the trend within the City is towards a smaller number of office workers occupying somewhat more office space than has ever been available.

Roy Ho

Regions

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## Ford defends new round of trade talks

BY PAUL LEWIS, U.S. EDITOR HOT SPRINGS, Virginia, Oct 12

THE FORD Administration launched a strong counter-attack here this weekend against the growing protectionist demands of American industry which it said were now threatening to disrupt the new round of multilateral negotiations for freer trade in the General Agreement on Tariffs and Trade (GATT).

On the eve of his departure for Geneva, Brussels and The Hague, Ambassador William Dent, President Ford's special trade representative, told the U.S. Business Council that American industrialists had filed a record number of complaints against unfairly priced foreign imports this year, despite the country's strong trading position.

"To those looking at the U.S. from abroad," he went on, "these filings suggest that our country may be turning protectionist."

Mr. Dent emphasised that both Congress and the Administration remained committed to a policy of expanding world trade for the benefit of industrial and developing countries alike. Later he said the Administration hoped that long-standing complaints or those stemming from the world recession, could still be dealt with in Geneva talks rather than by unilateral American action.

### Car imports

He also suggested that President Ford might be able to delay a final ruling on American demands for protection against small motor car imports—one of the most sensitive cases now pending—until November of 1976, or after the Presidential election.

Nevertheless, he felt compelled to warn that the wave of complaints American manufacturers were making against foreign trade practices under the new Trade Act, now threatened to "disrupt" the international trading system built up in GATT since 1947 and imperil the present round of trade free-  
ing talks.

Mr. Dent's remarks reflect the as well as dissuading U.S. manufacturers from pressing to the the use limit their new rights under the American industrialists are now Trade Bill.



PRESIDENT FORD : Fighting protectionism.

making of the stricter safeguard procedures written into the new Trade Bill authorising its participation in the present GATT round, as a way of buying off the protectionists in Congress.

Mr. Dent called on business to exercise greater restraint in their recourse to the new Trade Act's provisions—particularly as the country's strong payments position showed that it was no longer disadvantaged in world markets.

The Common Market has com- plained that nearly 20 per cent. of its trade with the U.S. is threatened by American demands for increased protection.

During his European tour, Mr. Dent will be meeting GATT officials in Geneva and U.S. Congressional advisors on the trade negotiations. In Brussels, he will have talks with Sir Christopher Soames and other members of the Common Market Commission about the tense situation now building up between the EEC and the United States.

His remarks this weekend are thus intended to show America's foreign trading partners that the Ford Administration is fighting domestic protectionist pressure, as well as dissuading U.S. manufacturers from pressing to the the use limit their new rights under the American industrialists are now Trade Bill.

## Basis for Paris oil meeting agreed

By Richard Johns

PARIS, Oct. 12. **THE BASIS** for a full-scale "dialogue" between industrialised countries and the developing world—spearheaded by the oil-producing States—should be laid at their preparatory meeting starting here to-morrow without the aggravation and discord that characterised the first abortive effort last April.

All 10 participants have approved, explicitly or implicitly, what is termed a "consensus" proposal submitted by the French Government last August after some months of quiet diplomacy.

The three groups, however,

## BSC in industry hunt to offset plant shutdowns

BY HAROLD BOLTER, INDUSTRIAL EDITOR

OUTSIDE consultants are being brought in by the British Steel Corporation in an attempt to attract new industries to areas of the U.K. where the BSC plans to end steel production.

The consultants concerned are close working liaison with Mr. Sandy Lawrie, the BSC's social and regional policy co-ordinator (Interplan), which will carry out work in England and Wales.

The Interplan has commissioned Interplan in connection with its plan to attract new industries to Ebbw Vale and Cardiff in South Wales, Shotton in North Wales, and Hartlepool in North-East England.

BSC has taken this step after consultations with the European Coal and Steel Community, the Department of Industry and the Welsh Office, and it hopes to obtain a contribution of 50 per cent. of the cost of the exercise in December.

Britain's insistence on being represented individually at that conference should not necessarily cause any obstacle at this stage, or, indeed, when the full dialogue convenes. The intention is that the three groups should select their own representatives after the preparatory meeting within the appropriate forums—OPEC, EEC and the UN "Group of 77" developing countries.

A strenuous assertion of the U.K. case for representation put forward by Mr. James Callaghan, Foreign Secretary, to his European Economic Community ministerial colleagues last week evoked no sympathy from other members of the International Energy Agency, nor will it find support amongst developing countries.

In the last resort the U.K. may be left with the choice of appearing in a single EEC delegation or having no voice at all.

As for the "consensus proposal," it has been approved by participants in a preparatory meeting that the substantive dialogue should begin within two months at Foreign Ministerial level with a session which would set in motion the work of four separate commissions to deal with the problems of energy, raw materials, aid for development and related financial issues.

Mixture of tactics Page 14

Then Interplan will name companies in other parts of the U.K., Continental Europe and North America willing to consider setting up facilities on prepared sites in one or more of the four areas.

BSC emphasised last night that the study would not anticipate or prejudice the review still being carried out by the Government on the future of the Shotton works in North Wales.

McKinsey has been commissioned to carry out an intensive study aimed at improving new job prospects in the year.

## Smith blames Vorster for failure of talks

BY OUR FOREIGN STAFF

MR. IAN SMITH, Rhodesian Prime Minister, in his most pointed speech to date, yesterday blamed Mr. John Vorster, the South African Prime Minister, for the failure of the latest round of constitutional talks in Rhodesia.

In a television interview broadcast in Britain, he admitted that relations between the two countries had become strained, and he did not hide his frustration at the outcome of Mr. Vorster's intervention in the Victoria Falls conference between the Rhodesian Government and the country's African National Congress.

The talks collapsed in August, to negotiate with any leader elected by the ANC. Although he denied he had ever "got together with Mr. Nkomo and made an agreement with him," he said significantly: "He is a man who is prepared to make decisions."

Mr. Smith said he was prepared to consider an equity offer to convertible holders now along the lines of Guinness Peat's similar move.

But this does not seem practicable at current share prices since the Grand Met convertible is at a much larger discount to par than the GP one, concentrated on relatively it was invested. By

Photographic detailed, other things, the fund's prospective liability value of the fund, and

the 3.8 point gap between small projects, such as the Ordinary and the convertible modernisation or redevelopment yield is also much larger. So of a Bern Inn or pub, where Age.

## BMA urges NHS inquiry

BY LORELIES OSLAGER, LABOUR STAFF

LEADERS of the British Medical Association yesterday called for an overall inquiry into the National Health Service as some heavy pressure from other EEC members on the question of pollution control.

This is because of Britain's threat to veto the Commission's plans for "Community-wide limits on the quantity of dangerous metals and chemicals

which may be released into fresh and sea water by industrial plants.

The European Parliament's debate on the Community Budget promises to be lively too. It will be surprising if the Parliament does not use its limited budgetary powers to reinstate some of the cuts made by the Council of Ministers, particularly in the social field where it will wish the Community to do more to alleviate economic distress.

Junior doctors at Plymouth, who had threatened the most extreme action by calling for a strike to-day, have decided to wait until they have had a further meeting this morning to discuss the Government's statement that negotiations on the controversial contract could continue.

The Government's decision to hold further talks on the contract caused doctors in several other towns to put off action such as working to rule or treating

Continued from Page 1

## Ministers prepare for battle

night before the legislation regulations, which could easily campaign to give pickets a legal right to stop vehicles on the public highway.

Some senior Tories believe a series of Government amendments to the Bill tabled last week will make it less unacceptable to their party.

But last night Mr. Hugh Rossi, the junior Opposition spokesman in charge of the Conservatives during the committee stage of the Bill last summer, took a tougher line.

The amendments tabled by Mr. John Silkin, the Minister for Planning, are peripherally helpful, but the heart of the legislation is still completely objectionable to us," he said.

"For one thing, his concessions, which include exemption of small pockets of development land from takeovers by the local community, would be made by

## THE LEX COLUMN

# Convertible poser for Grand Met

Grand Metropolitan's £27m. an offer attractive enough to returns can be 30 per cent. more of a debate than almost any involve a heavy dilution of a the acquisition at the end of this year's other issues, and existing equity—possibly of the "bargain" prices, have been turned down. There have been strong recommendations for and against Treasury could be persuaded to subscribe. The argument is that there are other ways of not so much about the specific broadening a company's equity terms, with a 13% premium on base apart from rights issues.

McKinsey's will maintain a liaison with Mr. Sandy Lawrie, the BSC's social and regional policy co-ordinator for Scotland.

Mr. Lawrie is also industrial liaison officer for the Cambuslang and Motherwell Promotional Team, set up to spearhead an energetic drive to attract job-intensive developments to prime industrial sites, based on surplus BSC land in these two areas.

Cambs Bank's new convertible deal, which The McKinsey study is a sequel to the Scottish Office's Coal and Steel Community, the July announcement that it had given the go-ahead on the first 94-acre phase of a comprehensive redevelopment project at Cambuslang.

The rights issue by itself will, of course, make little difference to this balance. But it will make a sizeable dent in bank overdrafts and 12-month borrowings of £12m., when combined with the impact of the £1m. proceeds of the sale of the Carlsberg interest, a few million pounds from other disposals, and an estimated £10m. to £15m. in 1975-76 from the surplus of cash flow over fixed and working capital needs.

This will leave a hard-core bank overdraft—effectively permanent—as well as some foreign currency debt which is being extended over a longer term. Of the £83m. borrowings due between one and five years, the group reckons that, even at worst, projected cash flow should cover the repayments up to 1980.

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With the 3,500 new jobs the BSC itself expects to create in the next five years, predominantly at Runcorn Strip Mill, the net loss of steel jobs will be reduced to 2,100.

Mr. William Gray, chairman designate of the Scottish Development Agency, said the SDA would be "heavily involved" in the environmental-improvement and factory-building aspects of the project, once it was launched formally towards the end of this year.

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